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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2011**

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

For the transition period from [ ] to [ ]

Commission file number **001-31392**

PLURISTEM THERAPEUTICS INC.

(Name of registrant as specified in its charter)

Nevada	**98-0351734**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
MATAM Advanced Technology Park, Building No. 20, Haifa, Israel	**31905**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number **011-972-74-7107171**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.00001	**Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

$34,558,487

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

42,924,219 as of September 1, 2011

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Our financial statements are stated in thousands United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP).

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this annual report, the terms "we", "us", "our", “the Company”, and "Pluristem" mean Pluristem Therapeutics Inc. and our wholly owned subsidiary, unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "intends," "plans" "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements, or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements appear in Item 1 – "Business" and Item 7 – "Management's Discuss and Analysis of Financial Condition and Results of Operations," as well as elsewhere in this Annual Report and include, among other statements, statements regarding the following: the expected development and potential benefits from our products in treating various medical conditions, the exclusive license agreement we entered into with United Therapeutics Corporation, the prospects of entering into additional license agreements, or other forms of cooperation with other companies, our pre clinical and clinical trials plan, including entering Phase II clinical trials and achieving regulatory approvals, our plan to build a manufacturing facility and expand our manufacturing capacity, developing capabilities for new clinical indications of placenta expanded cells (PLX), the potential market demand for our products, our expectations regarding our short- and long-term capital requirements, our outlook for the coming months and information with respect to any other plans and strategies for our business.

The factors discussed herein, including those risks described in Item 1A. "Risk Factors", and expressed from time to time in our filings with the Securities and Exchange Commission could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and except as required by law we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

PART I

Item 1. Business.

Our Current Business

We are a leading bio-therapeutic company developing standardized cell therapy products for the treatment of life threatening diseases. We are developing a pipeline of products, stored ready-to-use, derived from human placenta, a non-controversial, non-embryonic, adult cell source. Placental-derived adherent stromal cells are grown in the Company's proprietary PluriX™ three-dimensional process that allows cells to grow in a more natural environment and enable us to produce large quantities of clinical grade cells. We refer to the cells that are grown in the PluriX™ as our PLacental eXpanded cells, or PLX cells. We are expanding our in-house manufacturing capacity so that we will be able to grow large scale quantities of our cells efficiently and without reliance on outside vendors.

We were incorporated as a Nevada corporation in 2001. We have a wholly owned research and development subsidiary in Israel called Pluristem Ltd.

Our strategy is to develop and manufacture cell therapy products for the treatment of multiple disorders via several routes of administration. We plan to execute this strategy both independently, using our own personnel and via relationships with research and clinical institutions, or in collaboration with other companies, such as United Therapeutics Corporation, or United. We plan to have in-house manufacturing capacity of clinical grade PLX cells in commercial quantities and to control all of our proprietary manufacturing processes in order to assist in executing this strategy.

We believe that intramuscular administration, or IM, which means that the cells are administrated locally to the muscle and not systemically, may be suited for a number of different clinical indications. Such indications include peripheral artery disease, or PAD, critical limb ischemia, or CLI, intermittent claudication, or IC, muscle injuries, thromboangiitis obliterans, or Buerger's disease, neuropathic pain, wound healing and orthopedic injuries. In addition, we have reported pre-clinical studies utilizing successfully our proprietary PLX cells when administered systemically via the intravenous route, or IV, in treating multiple sclerosis, ischemic stroke, inflammatory bowel disease and radiation exposure. Under our exclusive license agreement with United, we plan to participate in the development and commercialization of a PLX cell-based product for the treatment of Pulmonary Arterial Hypertension, or PAH.

Our first product in development, called PLX-PAD, is intended to improve the quality of life of millions of people suffering from PAD.

Recent Developments

In January 2011, we successfully completed a parallel scientific advisory process with the European Medicines Agencies (EMA) and the US Food and Drug Administration (FDA) that will allow us to pursue a comprehensive approach towards the treatment of two major components of PAD, IC and CLI, with our placenta-derived PLX cells. The comprehensive clinical plan includes a multinational Phase II study in IC and a multinational Phase II/III pivotal study in CLI.

In February 2011, we closed a firm commitment underwritten public offering of 11,000,000 units, with each unit consisting of one share of the Company's common stock and one warrant to purchase 0.4 of a share of common stock, at a purchase price of $3.25 per unit. The underwriters exercised in full their over-allotment option to purchase an additional 1,650,000 units. The net proceeds from the offering were approximately $38 million.

On March 1, 2011, together with the Charite University Hospital of Berlin, or Charite, we announced the results of a preclinical study demonstrating significant improvement in the recovery of muscle function, when compared to controls, following the local administration of PLX cells in a muscle injury mice model. This study suggests that our PLX cells have the potential to treat muscle injuries caused by surgery or accident. Subject to regulatory approval, we intend to conduct clinical trials for muscle injury indications.

On April 13, 2011, following completion of three and six month clinical follow-ups using our PLX cells in CLI, the end-stage of PAD, we announced that the data collected from our two open-label, dose-escalation, Phase I clinical trials conducted in the United States and Germany suggests that PLX-PAD is safe, improves quality of life, and is potentially effective in treating patients and reducing amputations.

On June 19, 2011, we entered into an exclusive license agreement, or the License Agreement, with United, for the use of our PLX cells to develop and commercialize a cell-based product for the treatment of PAH. The License Agreement provides that United will receive exclusive worldwide license rights for the development and commercialization of our PLX cell-based product to treat PAH. The License Agreement provides for the following consideration payable to us: (i) $7 million paid to us in August 2011; (ii) up to $37.5 million upon reaching certain regulatory milestones with respect to the development of a product to treat PAH; (iii) reimbursement of up to $10 million of certain of our expenses if we establish a manufacturing facility in North America upon meeting certain milestones; (iv) reimbursement of certain costs in connection with the development of the product; and (v) following commercialization of the product, royalties and the purchase of commercial supplies of the developed product from us at a specified margin over our cost.

On August 22, 2011 the FDA granted our PLX cells orphan status designation for the treatment of Buerger's disease. A concurrent application in Europe at the EMA's Committee for Orphan Medicinal Products is pending.

Scientific Background

Cell therapy is an emerging and promising field within the regenerative medicine area. The characteristics and properties of cells vary as a function of tissue source and growth conditions. The human placenta provides a unique, renewable, uncontroversial source of non-embryonic, adult cells and represents a new approach in the cell therapy field.

The use of our PLX cells for human therapy does not require tissue matching prior to administration. Thus, it allows for the development of a ready-to-use "off-the-shelf" product.

Our Technology

We develop and intend to commercialize cell therapy production technologies and products. We are expanding non-controversial, placental-derived Adherent Stromal Cells, or ASCs, via a proprietary three dimensional (3D) process, termed PluriX™, into therapeutics for a variety of degenerative, ischemic, inflammatory and autoimmune disorders.

PluriX™ uses a system of stromal cell cultures and substrates to create an artificial three dimensional environment where placental-derived stromal cells (obtained after birth) can grow. Our three-dimensional process enables the large scale production of reproducible, high quality cell products, and is capable of manufacturing large numbers of PLX doses originating from different placentas. Additionally, our manufacturing process has demonstrated batch-to-batch consistency, an important manufacturing component of biological products.

Product Candidates

- ***PLX-PAD*** - Intermittent Claudication and Critical Limb Ischemia

We are developing PLX-PAD cells as an allogeneic therapeutic product to treat CLI and IC which results from PAD. PLX-PAD cells are stored "ready to use" and can be shipped to hospitals and clinics for use as IM treatment to the affected limb in clinical trials for patients suffering from CLI and IC. Two Phase I studies were performed to evaluate the safety of PLX-PAD in patients with CLI. The studies were conducted in parallel in Germany and the U.S. The trial in Germany was performed at the Franziskus-Krankenhaus Institute of Berlin and a total of 15 patients were enrolled in this study. The trial in the US was performed at three sites: Duke University Hospital, Stanford University Hospital and the Center for Therapeutic Angiogenesis (supported by the University of Alabama). A total of 12 adults with the disease were included in this clinical trial in the U.S.

On April 13, 2011, we announced that following completion of three and six month clinical follow-ups, data from our two open-label, dose-escalation, Phase I clinical trials suggests that PLX-PAD is safe, improves quality of life, and is potentially effective in treating patients and reducing amputations in those suffering from CLI, the end-stage of PAD. Among the 27 patients treated with PLX-PAD, only one amputation was recorded at the six month follow-ups representing a 3.7% amputation rate. This represents a 75% reduction in the amputation rate compared to historical data, which varies from 20-25%.

Intermittent Claudication and Critical Limb Ischemia

PAD arises when there is significant narrowing of large arteries supplying blood to all of the extremities but most commonly the legs. Narrowing of these arteries is usually caused by cholesterol build-up in the artery (atherosclerosis) but can occur from an inflammation of the arterial wall (arteritis). Patients afflicted with PAD have symptoms that range from calf pain on exercise (IC) to resting pain, skin ulceration, or gangrene in people with CLI. About 15% of people with IC eventually develop CLI[1], particularly if they are afflicted with risk factors associated with the development and worsening of PAD and include cigarette smoking, diabetes, hypertension and obesity.

Analysis of data from the 2009 update on heart disease and stroke statistics[2] indicates that approximately eight million people over the age of 40 in the United States are afflicted with PAD. PAD increases significantly with age, rising to as high as approximately 20% of the population of those over the age of 70, which has resulted in a growing market for therapies intended to treat this disorder. According to The Sage Group Report of April 17, 2007 an estimated 2 million people in the U.S. have CLI. Reflecting the ageing population, this number is projected to grow to almost 2.8 million by 2020[3]. However, if the prevalence of diabetes continues to increase, there could be a significant increase of CLI by 2020.

Although medications such as vasodilators and anti-platelet therapies are used for treating PAD, the general consensus among physicians is that there currently exists no adequate medical therapy for PAD. Endovascular therapies such as balloon dilation and revascularization surgery can be quite helpful for selected patients. However, it has been estimated that approximately 25% of CLI patients are not suitable for such procedures[4].

- ***Other product candidates***

There have been favorable preclinical results administering PLX cells in several additional indications.

The table below summaries the status of the studies we have performed:

Indication	**Status**
Diabetic Foot Ulcers	Proof of concept
Adjuvant Hip Replacement Surgery	Pre-clinical
Athletic Injuries	Pre-clinical
Inflammatory Bowel Disease	Proof of concept
Multiple Sclerosis	Proof of concept
Neuropathic Pain	Pre-clinical
Ischemic Stroke	Pre-clinical
Adjuvant for UCB Transplantation	Pre-clinical
Radiation exposure	Proof of concept

[1] See Intermittent claudication: a risk profile from the Framingham Heart Study. Circulation 1997;96:44–49.
[2] See *Circulation*. 2009;119:e21-e181. Published online before print December 15, 2008.
[3] See The Sage Group: The Sage Group Report of April 17, 2007 (http://thesagegroup.us/pages/news/april17_2007.php).
[4] See Histological changes after implantation of autologous bone marrow mononuclear cells for chronic critical limb ischemia. Bone Marrow Transplant. 2007 May; 39(10):647-8.

In addition, we plan to commence the development of a cell-based product for the treatment of PAH using our PLX, as provided for by the Licensing Agreement.

Intellectual Property

We understand that our success will depend, in part, on maintaining our intellectual property and therefore we are committed to protecting our technology and product candidates with patents and other methods described below.

We are the sole owner of 15 issued patents and 76 patent applications in the U.S. and Europe as well as in additional countries worldwide, including in the Far East and South America.

Based on the well established understanding support that the characteristics and therapeutic potential of a cell product are largely determined by the source of the cells and by the methods and conditions used during their manufacturing process, our patent portfolio includes multilayered claims on the various unique aspects of ASCs.
Our patent portfolio includes claims on:

- Our propriety expansion method for 3D Stromal Cells;
- Composition of matter claims on the cells;
- The therapeutic use of PLX cells for the treatment of a large variety of medical conditions; and
- Selection criteria for determination of cells suitable for administration.

Through our experience with ASC-based product development, we have developed expertise and know-how in this field and have established the ability to manufacture clinical grade PLX cells in-house. Certain aspects of our manufacturing process are covered by patents and patent applications. In addition, specific aspects of our technology are kept as know-how and trade secrets, protected by Pluristem's confidentiality agreements with our employees, consultants, contractors, manufacturers and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance of services for us.

Except with respect to the License Agreement with United, the intellectual property we own is not subject to third party rights. In addition, we have no obligations to pay royalties to any third party, except for royalties, to the OCS which are limited to repayment the grant amount received plus interest (see note 6D in our audited consolidated financial statements for fiscal 2011 included elsewhere in this Form 10-K).

The intellectual property coverage of our technology and biologic drug candidates is multi-layered and relies on the combination of multiple patents. The following table provides a description of our key patents and patent applications and is not intended to represent an assessment of claims, limitations or scope. There is a risk that our patents will be invalidated, and that our pending patent applications will not result in issued patents or that we can be certain that we will not infringe any patents that may be issued to others. See *"Risk Factors - We must further protect and develop our technology and products in order to become a profitable company"*. The expiration dates of these patents, based on filing dates, range from 2019 to 2026. Actual expiration dates will be determined according to extensions received based on the Hatch-Waxman Act. We believe that even upon expiration of certain of our patents we will continue to be in a good competitive position with our competitors due to several layers of patents and trade secrets.

Pluristem's Patent Portfolio

Patent	Jurisdiction	Subject Matter	Related Product(s)
Method And Apparatus For Maintenance And Expansion Of Hemopoietic Stem Cells And/Or Progenitor Cells	United States Japan, Europe, Mexico, Australia, South Africa, Israel, Russia, New Zealand, India, China, Hong Kong, Canada	Process and methods	PLX
Methods for Cell Expansion and Uses of Cells and Conditioned Media Produced Thereby for Therapy	United States Japan, Europe, Mexico, Australia, South Africa, Israel, Russia, New Zealand, India, China, Hong Kong, Canada, Brazil, Korea, Singapore	Process and methods, Composition of matter, Method of treating	PLX
Adherent Cells from Adipose or Placenta Tissues and Use Thereof in Therapy	United States Japan, Europe, Mexico, Australia, South Africa, Israel, Russia, New Zealand, India, China, Hong Kong, Canada, Brazil, Korea, Singapore	Composition of matter, Method of treating	PLX

Research and Development

Our research and development expenses were $8,311,000 and $6,123,000 in fiscal year 2011 and 2010 respectively, before deducting the participation by the Office of the Chief Scientist and grants by other third parties.

Foundational Research. Our initial technology, the PluriX™ Bioreactor system, was developed in the Technion - Israel Institute of Technology's Rappaport Faculty of Medicine, in collaboration with researchers from the Weizmann Institute of Science. This technology was further developed by our research and development teams.

Ongoing Research and Development Plans

In July 2007, we entered into a five year collaborative research agreement with the Center for Regenerative Therapies at Charite. Pluristem and Charite are collaborating on a variety of indications utilizing PLX cells. According to the agreement, we will be the exclusive owner of the technology and any products produced as a result of the collaboration. We are currently conducting several pre-clinical trials in collaboration with Charite.

Over the last year we have also engaged into research and development projects with NYU Medical Center for the study of PLX cells in the treatment of diabetic foot ulcers and with Hadassah University Medical Center in Jerusalem to continue a previously conducted animal study indicating that PLX cells are potentially effective in the treatment of radiation sickness.

On June 19, 2011, we entered into the License Agreement, for the use of our PLX cells to develop and commercialize a cell-based product for the treatment of PAH. The License Agreement provides that United will receive exclusive worldwide license rights for the development and commercialization of our PLX cell-based product to treat PAH. The License Agreement provides for the following consideration payable to us: (i) $7 million paid to us in August 2011; (ii) up to $37.5 million upon reaching certain regulatory milestones with respect to the development of a product to treat PAH; (iii) reimbursement of up to $10 million of certain of our expenses if we establish a manufacturing facility in North America upon meeting certain milestones; (iv) reimbursement of certain costs in connection with the development of the product; and (v) following commercialization of the product, royalties and the purchase of commercial supplies of the developed product from us at a specified margin over our cost.

We plan to continue to collaborate with universities and academic institutions and corporate partners worldwide to fully leverage our expertise and explore the use of our cells in other indications.

Our research and development facilities are in Haifa, Israel.

In-House Clinical Manufacturing Ability

We have the in-house capability to conduct clinical cell manufacturing. The facility has been approved as a Good Manufacturing Practices (GMP) standard site for the purpose of manufacturing PLX cells by an inspector from the EMA. In addition, the FDA approved the design of our clean room.

In July 2011, we entered into an agreement with MTM – Scientific Industries Center Haifa Ltd., for the lease and construction of a new state-of-the-art GMP manufacturing facility. The new facility will be located near our headquarters and existing facilities in MATAM Park, Haifa, Israel. The lease of the new facility is expected to commence in January 2012 for a period of approximately five years with an option to extend the lease for an additional 5 years.

The new facility is expected to be cGMP/GTP compliant for clinical cell manufacturing and designed specifically to meet both EMA and FDA regulatory requirements as well as the standards outlined by the Israeli Ministry of Health. The facility is expected to have the capacity to produce PLX cells to meet our needs for the foreseeable future. As we widen our clinical product candidate portfolio and prepare to launch large-scale clinical trials in the U.S. and Europe, the new facility will enable us to meet increased in-house manufacturing capacity requirements and meet marketing demands upon product approval.

We receive the human placentas used for our research and manufacturing activities from various hospitals in Israel. Any medical waste related to the use of placentas is treated in compliance with local environmental laws and standards.

Government Regulation

The development, manufacturing, and marketing of our cell therapy product candidates are subject to the laws and regulations of governmental authorities in the U.S. and the European Union as well as other countries in which our products will be marketed in the future. Specifically, in the U.S., the FDA and in Europe, the EMA, regulate new product approvals to establish the safety and efficacy of these products among other activities. Furthermore, various governmental statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and record keeping related to such products and their marketing. Governments in other countries have similar requirements for testing and marketing.

The process of obtaining these approvals and the subsequent compliance with appropriate statutes and regulations require the expenditure of substantial time and money. This process takes a number of years and the expenditure of significant resources. There can be no assurance that our product candidates will ultimately receive regulatory approval.

Regulatory Process in the United States

Our product candidates are subject to regulation as biological products under the Public Health Service Act and the Food, Drug and Cosmetic Act. The FDA generally requires the following steps for pre-market approval or licensure of a new biological product:

- Pre-clinical laboratory and animal tests conducted in compliance with the Good Laboratory Practice, or GLP, requirements to assess a drug's biological activity and to identify potential safety problems, and to characterize and document the product's chemistry, manufacturing controls, formulation, and stability.
- Submission to the FDA of an Investigational New Drug, or IND application, which must become effective before clinical testing in humans can begin;
- Obtaining approval of Institutional Review Boards, or IRBs, of research institutions or other clinical sites to introduce the biologic drug candidate into humans in clinical trials;

- Conducting adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for its intended indication conducted in compliance with Good Clinical Practice, or GCP, requirements;
- Compliance with current Good Manufacturing Practices, or cGMP regulations and standards;
- Submission to the FDA of a Biologics License Application, or BLA, for marketing that includes adequate results of pre-clinical testing and clinical trials;
- FDA reviews the marketing application in order to determine, among other things, whether the product is safe, effective and potent for its intended uses; and
- Obtaining FDA approval of the BLA, including inspection and approval of the product manufacturing facility as compliant with cGMP requirements, prior to any commercial sale or shipment of the pharmaceutical agent. The FDA may also require post-marketing testing and surveillance of approved products, or place other conditions on the approvals.

Regulatory Process in Europe

The European Union (EU) has approved a regulation specific to cell and tissue products and our PLX-PAD cell therapy product candidate is regulated under this Advanced Therapy Medicinal Product (ATMP) regulation.

For products that are regulated as an ATMP, the EU Directive requires:

- Compliance with current Good Manufacturing Practices, or cGMP regulations and standards, pre-clinical laboratory and animal testing;
- Filing a Clinical Trial Application (CTA) with the various member states or a centralized procedure; Voluntary Harmonisation Procedure (VHP), a procedure which makes it possible to obtain a coordinated assessment of an application for a clinical trial that is to take place in several European countries. Obtaining approval of affiliated Ethic Committees of research institutions or other clinical sites to introduce the biologic drug candidate into humans in clinical trials;
- Adequate and well-controlled clinical trials to establish the safety and efficacy of the product for its intended use; and
- Submission to EMA for a Marketing Authorization (MAA); Review and approval of the MAA (Marketing Authorization Application).

Clinical trials:

Typically, both in the U.S. and the European Union, clinical testing involves a three-phase process although the phases may overlap. In Phase I, clinical trials are conducted with a small number of healthy volunteers or patients and are designed to provide information about product safety and to evaluate the pattern of drug distribution and metabolism within the body. In Phase II, clinical trials are conducted with groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In some cases, an initial trial is conducted in diseased patients to assess both preliminary efficacy and preliminary safety and patterns of drug metabolism and distribution, in which case it is referred to as a Phase I/II trial. Phase III clinical trials are generally large-scale, multi-center, comparative trials conducted with patients afflicted with a target disease in order to provide statistically valid proof of efficacy, as well as safety and potency. In some circumstances, the FDA or EMA may require Phase IV or post-marketing trials if it feels that additional information needs to be collected about the drug after it is on the market.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data and clinical trial investigators. An agency may, at its discretion, re-evaluate, alter, suspend, or terminate the testing based upon the data which have been accumulated to that point and its assessment of the risk/benefit ratio to the patient. Monitoring all aspects of the study to minimize risks is a continuing process. All adverse events must be reported to the FDA and/or EMA.

Employees

We presently employ a total of 63 full-time employees and 7 part-time employees, of whom 54 full-time employees and 6 part-time employees are engaged in research and clinical manufacturing.

Competition

The cellular therapeutics industry, of which we are a part, is subject to technological changes that can be rapid and intense. We have faced, and will continue to face, intense competition from biotechnology, pharmaceutical and biopharmaceutical companies, academic and research institutions and governmental agencies engaged in cellular therapeutic and drug discovery activities or the funding of such activities, both in the United States and internationally. Some of these competitors are pursuing the development of cellular therapeutics, drugs and other therapies that target the same diseases and conditions that we target in our clinical and pre-clinical programs.

We are aware of many companies working in this area, including: Osiris Therapeutics, Aastrom Biosciences, Athersys, Aldagen, Cytori Therapeutics, Mesoblast and Celgene. Among other things, we expect to compete based upon our intellectual property portfolio, our in-house manufacturing efficiencies and the efficacy of our products. Our ability to compete successfully will depend on our continued ability to attract and retain experienced and skilled executive, scientific and clinical development personnel to identify and develop viable cellular therapeutic candidates and exploit these products commercially.

Item 1A. Risk Factors.

The following risk factors, among others, could affect our actual results of operations and could cause our actual results to differ materially from those expressed in forward-looking statements made by us. These forward-looking statements are based on current expectations and except as required by law we assume no obligation to update this information. You should carefully consider the risks described below and elsewhere in this annual report before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of the risks. Our common stock is considered speculative and the trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. The following risk factors are not the only risk factors facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business.

Our likelihood of profitability depends on our ability to license and / or develop and commercialize products based on our stem cell production technology, which is currently in the development stage. we are unable to complete the development and commercialization of our stem cell products successfully, our likelihood of profitability will be limited severely.

We are engaged in the business of developing cell therapy products. We have not realized a profit from our operations to date and there is little likelihood that we will realize any profits in the short or mediu term. Any profitability in the future from our business will be dependent upon successful commercialization of our potential cell therapy products, which will require significant additional research and development as well as substantial clinical trials.

If we are not able to successfully license and / or develop and commercialize our cell therapy product candidates and obtain the necessary regulatory approvals, we may not generate sufficient revenues to continue our business operations.

So far only one of the products we are developing was tested in Phase I clinical trials. Our early stage cell therapy product candidates may fail to perform as we expect. Moreover even if our cell therapy product candidates successfully perform as expected, in later stages of development may fail to show the desired safety and efficacy traits despite having progressed successfully through pre-clinical or initial clinical testing. We will need to devote significant additional research and development, financial resources and personnel to develop commercially viable products and obtain the necessary regulatory approvals.

If our cell therapy product candidates do not prove to be safe and efficacious in clinical trials, we will not obtain the required regulatory approvals. If we fail to obtain such approvals, we may not generate sufficient revenues to continue our business operations.

Even if we obtain regulatory approval of a product, that approval may be subject to limitations on the indicated uses for which it may be marketed. Even after granting regulatory approval, the FDA and regulatory agencies in other countries continue to review and inspect marketed products, manufacturers and manufacturing facilities, which may create additional regulatory burdens. Later discovery of previously unknown problems with a product, manufacturer or facility, may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, regulatory agencies may establish additional regulations that could prevent or delay regulatory approval of our products.

We cannot market and sell our cell therapy product candidates in the United States or Europe or in other countries if we fail to obtain the necessary regulatory approvals or licensure.

We cannot sell our cell therapy product candidates until regulatory agencies grant marketing approval, or licensure. The process of obtaining regulatory approval is lengthy, expensive and uncertain. It is likely to take several years to obtain the required regulatory approvals for our cell therapy product candidates, or we may never gain the necessary approvals. Any difficulties that we encounter in obtaining regulatory approval may have a substantial adverse impact on our operations and cause our stock price to decline significantly.

To obtain marketing approvals in the United States and Europe for cell therapy product candidates we must, among other requirements, complete carefully controlled and well-designed clinical trials sufficient to demonstrate to the FDA and the EMA that the cell therapy product candidates is safe and effective for each disease for which we seek approval. So far, we conducted Phase I clinical trials for our PLX-PAD product, which is our only product that is the subject to clinical trials. Several factors could prevent completion or cause significant delay of these trials, including an inability to enroll the required number of patients or failure to demonstrate adequately that cell therapy product candidates are safe, effective and potent for use in humans. Negative or inconclusive results from or adverse medical events during a clinical trial could cause the clinical trial to be repeated or a program to be terminated, even if other studies or trials relating to the program are successful. The FDA or the EMA can place a clinical trial on hold if, among other reasons, it finds that patients enrolled in the trial are or would be exposed to an unreasonable and significant risk of illness or injury. If safety concerns develop, we, the FDA, or the EMA could stop our trials before completion.

If we are not able to conduct our clinical trials properly and on schedule, marketing approval by FDA, EMA and other regulatory authorities may be delayed or denied.

The completion of our clinical trials may be delayed or terminated for many reasons, including, but not limited to, if:

- the FDA or the EMA does not grant permission to proceed and places the trial on clinical hold;
- subjects do not enroll in our trials at the rate we expect;
- subjects experience an unacceptable rate or severity of adverse side effects;
- third-party clinical investigators do not perform our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, Good Clinical Practice and regulatory requirements, or other third parties do not perform data collection and analysis in a timely or accurate manner;
- inspections of clinical trial sites by the FDA, EMA, or Institutional Review Boards (IRBs) of research institutions participating in our clinical trials find regulatory violations that require us to undertake corrective action, suspend or terminate one or more sites, or prohibit us from using some or all of the data in support of our marketing applications; or
- one or more IRBs suspends or terminates the trial at an investigational site, precludes enrollment of additional subjects, or withdraws its approval of the trial.

Our development costs will increase if we have material delays in our clinical trials, or if we are required to modify, suspend, terminate or repeat a clinical trial. If we are unable to conduct our clinical trials properly and on schedule, marketing approval may be delayed or denied by the FDA or the EMA.

We are in the development stage and have limited operating history, which raise doubts with respect to our ability to generate revenues in the future.

We have a limited operating history in our business of developing and commercializing stem cell production technology and must be considered in the development stage. Until we entered into the License Agreement with United, we did not generated any revenues. It is not clear when we will generate additional revenues. Our primary source of funds has been the sale of our common stock and government grants. We cannot give assurances that we will be able to generate any significant revenues or income in the future. There is no assurance that we will ever be profitable.

We may not successfully maintain our existing exclusive out-licensing agreement with United Therapeutics Corporation, or establish new collaborative and licensing arrangements, which cou adversely affect our ability to develop and commercialize our product candidates.

One of the elements of our business strategy is to license our technology to other companies. Our business strategy includes establishing collaborations and licensing agreements with one or more pharmaceutical or biotechnology companies. We have entered into an exclusive License Agreement with United for the use of PLX cells to develop and commercialize a cell-based product for the treatment of PAH. However, we may not be able to establish or maintain such licensing and collaboration arrangements necessary to develop and commercialize our product candidates. Even if we are able to maintain or establish licensing or collaboration arrangements, these arrangements may not be on favorable terms and may contain provisions that will restrict our ability to develop, test and market our product candidates. Any failure to maintain or establish licensing or collaboration arrangements on favorable terms could adversely affect our business prospects, financial condition or ability to develop and commercialize our product candidates.

Our agreements with our collaborators and licensees may have provisions that give rise to disputes regarding the rights and obligations of the parties. These and other possible disagreements could lead to termination of the agreement or delays in collaborative research, development, supply, or commercialization of certain product candidates, or could require or result in litigation or arbitration. Moreover, disagreements could arise with our collaborators over rights to intellectual property or our rights to share in any of the future revenues of products developed by our collaborators. These kinds of disagreements could result in costly and time-consuming litigation. Any such conflicts with our collaborators could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing collaborators.

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

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

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

Once our potential cell therapy products are fully developed, we intend to market our products primarily in the United States and Europe. We must obtain FDA and EMA approval of our technology and potential cell therapy products, before commercialization of our potential cell therapy products may commence in the United States and similar agencies in Europe. We may also be required to obtain additional approvals from foreign regulatory authorities to commence our marketing activities in those jurisdictions. If we cannot demonstrate the safety, reliability and efficacy of our cells, including long-term sustained cell engraftment, or if one or more patients die or suffer severe complications in clinical trials, the FDA or EMA and/or other regulatory authorities could delay or withhold regulatory approval of our technology and potential products.

Furthermore, even if we obtain regulatory approval for our cell therapy products, that approval may be subject to limitations on the indicated uses for which they may be marketed. Even after granting regulatory approval, the FDA, the EMA, other regulatory agencies, and governments in other countries will continue to review and inspect marketed products, manufacturers and manufacturing facilities. Later discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, governmental regulatory agencies may establish additional regulations, which could prevent or delay regulatory approval of our technology and our potential cell therapy products.

We have limited experience in conducting and managing human trials. If we fail in the conducting of such trials, our business will be materially harmed.

Even though we conducted Phase I trials for our PLX-PAD product and have recruited employees who are experienced in managing and conducting clinical trials, we have limited experience in this area. We will need to expand our experience and rely on consulting in order to obtain regulatory approvals for our therapeutic product candidates. The failure to successfully conduct clinical trials could materially harm our business.

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

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

This trend may adversely affect our ability to enter into license agreements or agreements for the development and commercialization of our product candidates, and as a result may harm our business.

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

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

There are no FDA or EMA approved treatments for some of the disease indications we are pursuing. This could complicate and delay FDA or EMA approval of our biologic drug candidates.

There are no drugs or therapies currently approved with for treatment of PAD using allogeneic cell therapy products. As a result, the clinical efficacy endpoints, or the criteria to measure the intended results of treatment may be difficult to determine. In addition, patients battling PAD and who, therefore, are candidates for treatment with PLX-PAD, typically suffer from complications and disorders that may bring to amputation and other complications prior to the completion of the study. This resulting reduction in the number of patients available for evaluation at the end of the study may make it more difficult for us to demonstrate efficacy, as necessary to obtain FDA or EMA approval to market our products.

Our cell therapy drug candidates represent new classes of therapy that the marketplace may not understand or accept.

Even if we successfully develop and obtain regulatory approval for our biologic drug candidates, the market may not understand or accept them. We are developing cell therapy product candidates that represent novel treatments and will compete with a number of more conventional products and therapies manufactured and marketed by others, including major pharmaceutical companies. The degree of market acceptance of any of our developed and potential products will depend on a number of factors, including:

- the clinical safety and effectiveness of our cell therapy drug candidates and their perceived advantage over alternative treatment methods;
- adverse events involving our cell therapy product candidates or the products or product candidates of others that are stem cell based; and
- the cost of our products and the reimbursement policies of government and third-party payors.

If the health care community does not accept our potential products for any of the foregoing reasons, or for any other reason, it could affect our sales, having a material adverse effect on our business, financial condition and results of operations.

If our processing and storage facility or our clinical manufacturing facilities are damaged or destroyed, our business and prospects would be adversely affected.

If our processing and storage facility, our clinical manufacturing facilities or the equipments in such facilities were to be damaged or destroyed, we could suffer a loss of some or all of the stored units of our cell therapy drug candidates and it would force us to delay or halt our clinical trial processes. We have a clinical manufacturing facility located in Haifa, Israel. If this facility or the equipment in it is significantly damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity.

The clinical manufacturing process is complex and requires meeting high regulatory standards; We have limited manufacturing experience and know-how. Any delay or problem in the clinical manufacturing of PLX may result in adverse effect on our business.

Our facility has been approved as a Good Manufacturing Practices (GMP) standard site for the purpose of manufacturing PLX cells by an inspector from the EMA. In addition, the FDA approved the design of the clean room. We plan to obtain similar approvals for our new facilities that will enable us to conduct commercial scale clinical manufacturing of PLX. However, the clinical manufacturing process is complex and we have limited experience and know-how in manufacturing our product candidates at a commercial level. There can be no guarantee that that we will be able to successfully develop and manufacture our product candidates in a manner that is cost-effective or commercially viable, or that development and manufacturing capabilities might not take much longer than currently anticipated to be ready for the market. In addition, if we fail to maintain regulatory approvals to our manufacturing facilities, we may suffer delays in our ability to manufacture our product candidates. This may result in an adverse effect on our business.

We are dependent upon third-party suppliers for raw materials needed to manufacture PLX; if any of these third parties fails or is unable to perform in a timely manner, our ability to manufacture and deliver will be compromised.

In addition to the placenta used in the clinical manufacturing process of PLX we require certain raw materials. These items must be manufactured and supplied to us in sufficient quantities and in compliance with GMP. To meet these requirements, we have entered into supply agreements with firms that manufacture these raw materials to GMP standards. Our requirements for these items are expected to increase if and when we transition to the manufacture of commercial quantities of our biologic drug candidates.

In addition, as we proceed with our clinical trial efforts, we must be able to continuously demonstrate to the FDA and the EMA, that we can manufacture our cell therapy product candidates with consistent characteristics. Accordingly, we are materially dependent on these suppliers for supply of GMP-grade materials of consistent quality. Our ability to complete ongoing clinical trials may be negatively affected in the event that we are forced to seek and validate a replacement source for any of these critical materials.

If we encounter problems or delays in the research and development of our potential cell therapy products, we may not be able to raise sufficient capital to finance our operation during the period required to resolve such problems or delays.

Our cell therapy products are currently in the development stage and we anticipate that we will continue to incur substantial operating expenses and incur net losses until we have successfully completed all necessary research and clinical trials. We, and any of our potential collaborators, may encounter problems and delays relating to research and development, regulatory approval and intellectual property rights of our technology. Our research and development programs may not be successful, and our cell culture technology may not facilitate the production of cells outside the human body with the expecte result. Our cell therapy products may not prove to be safe and efficacious in clinical trials. If any of these events occur, we may not have adequate resources to continue operations for the period required t resolve the issue delaying commercialization and we may not be able to raise capital to finance our continued operation during the period required for resolution of that issue. Accordingly, we may be forcec to discontinue or suspend our operations.

We cannot guarantee continuation of government programs and tax benefits.

We have received certain Israeli government approval under certain programs and may in the future utilize certain tax benefits in Israel by virtue of these programs. To remain eligible for such tax benefits, we must continue to meet certain conditions. If we fail to comply with these conditions in the future, the benefits we receive could be canceled and we may pay certain taxes. We cannot guarantee that these programs and tax benefits will be continued in the future, at their current levels or at all. If these programs and tax benefits are ended, our business, financial condition and results of operations could be negatively affected.

Because we received grants from the Israeli Office of the Chief Scientist, we are subject to ongoing restrictions.

We received royalty-bearing grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor, or the Chief Scientist, for research and development programs that meet specified criteria. The terms of the Chief Scientist's grants limit our ability to transfer know-how developed under an approved research and development program outside of Israel, regardless of whether the royalties were fully paid. Any non-Israeli citizen, resident or entity that, among other things, becomes a holder of 5% or more of our share capital or voting rights, is entitled to appoint one or more of our directors or our chief executive officer, serves as a director of our company or as our chief executive officer is generally required to notify the same to the Chief Scientist and to undertake to observe the law governing the grant programs of the Chief Scientist, the principal restrictions of which are the transferability limits described above.

If we do not keep pace with our competitors and with technological and market changes, our technology and products may become obsolete and our business may suffer.

The cellular therapeutics industry, of which we are a part, is very competitive and is subject to technological changes that can be rapid and intense. We have faced, and will continue to face, intense competition from biotechnology, pharmaceutical and biopharmaceutical companies, academic and research institutions and governmental agencies engaged in cellular therapeutic and drug discovery activities or funding, both in the United States and internationally. Some of these competitors are pursuing the development of cellular therapeutics, drugs and other therapies that target the same diseases and conditions that we target in our clinical and pre-clinical programs.

Many of our competitors have greater resources, more product candidates and have developed product candidates and processes that directly compete with our products. Our competitors may have developed, or could develop in the future, new products that compete with our products or even render our products obsolete.

We depend to a significant extent on certain key personnel, the loss of any of whom may materially and adversely affect our company.

Our success depends on a significant extent to the continued services of certain highly qualified scientific and management personnel, in particular, Zami Aberman, our Chief Executive Officer, and Yaky Yanay, our Chief Financial Officer. We face competition for qualified personnel from numerous industry sources, and there can be no assurance that we will be able to attract and retain qualified personnel on acceptable terms. The loss of service of any of our key personnel could have a material adverse effect on our operations or financial condition. In the event of the loss of services of such personnel, no assurance can be given that we will be able to obtain the services of adequate replacement personnel. We do not maintain key person insurance on the lives of any of our officers or employees.

The patent approval process is complex and we cannot be sure that our pending patent applications or future patent applications will be approved.

The patent approval process is complex and results are therefore highly uncertain. No assurance can be given that any of our pending patent applications or future patent applications will be approved, that the scope of any patent protection granted will exclude competitors or provide us with competitive advantages, that any of the patents that have been or may be issued to us will be held valid if subsequently challenged, or that other parties will not claim rights to or ownership of our patents or other proprietary rights that we hold. Furthermore, there can be no assurance that others have not developed or will not develop similar products, duplicate any of our technology or products or design around any patents that have been or may be issued to us or any future licensors. Since patent applications in the United States and in Europe are not publicly disclosed until patents are issued, there can be no assurance that others did not first file applications for products covered by our pending patent applications, nor can we be certain that we will not infringe any patents that may be issued to others.

Our success depends in large part on our ability to develop and protect our technology and our cell therapy products. If our patents and proprietary rights agreements do not provide sufficient protection for our technology and our cell therapy products, our business and competitive position will suffer.

Our success will also depend in part on our ability to develop our technology and commercialize cell therapy products without infringing the proprietary rights of others. We have not conducted full freedom of use patent searches and no assurance can be given that patents do not exist or could not be filed which would have an adverse affect on our ability to develop our technology or maintain our competitive position with respect to our potential cell therapy products. If our technology components, devices, designs, products, processes or other subject matter are claimed under other existing United States or foreign patents or are otherwise protected by third party proprietary rights, we may be subject to infringement actions. In such event, we may challenge the validity of such patents or other proprietary rights or we may be required to obtain licenses from such companies in order to develop, manufacture or market our technology or products. There can be no assurances that we would be able to obtain such licenses or that such licenses, if available, could be obtained on commercially reasonable terms. Furthermore, the failure to either develop a commercially viable alternative or obtain such licenses could result in delays in marketing our proposed products or the inability to proceed with the development, manufacture or sale of products requiring such licenses, which could have a material adverse affect on our business, financial condition and results of operations. If we are required to defend ourselves against charges of patent infringement or to protect our proprietary rights against third parties, substantial costs will be incurred regardless of whether we are successful. Such proceedings are typically protracted with no certainty of success. An adverse outcome could subject us to significant liabilities to third parties and force us to curtail or cease our development of our technology and the commercialization our potential cell therapy products.

We have built the ability to manufacture clinical grade ASCs in-house. Through our experience with ASC-based product development, we have developed expertise and know-how in this field. To protect these expertise and know-how, our policies require confidentiality agreements with our employees, consultants, contractors, manufacturers and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance for us. These agreements might not effectively prevent disclosure of our confidential information.

We must further protect and develop our technology and products in order to become a profitable company.

The initial patent underlying our technology will expire in approximately 2020. If we do not complete the development of our technology and products in development by then, or create additional sufficient layers of patents or other intellectual property right, other companies may use the technology to develop competing products. If this happens, we may lose our competitive position and our business would likely suffer.

Furthermore, the scope of our patents may not be sufficiently broad to offer meaningful protection. In addition, our patents could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier. We also intend to seek patent protection for any of our potential cell therapy products once we have completed their development.

We also rely on trade secrets and unpatentable know-how that we seek to protect, in part, by confidentiality agreements with our employees, consultants, suppliers and licensees. These agreements may be breached, and we might not have adequate remedies for any breach. If this were to occur, our business and competitive position would suffer.

We are exposed to fluctuations in currency exchange rates.

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

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

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

In previous fiscal years our independent registered public accounting firm's report stated that there was a substantial doubt that we would be able to continue as a going concern.

Our independent registered public accounting firm, Kost, Forer, Gabbay & Kassierer a Member of Ernst & Young Global, stated in their audit report attached to our audited consolidated financial statements for the fiscal years that ended June 30, 2010 and 2009 that since we were an exploration stage company, we had no established source of revenue, and were dependent on our ability to raise capital from shareholders and other sources to sustain operations, there was a substantial doubt that we would be able to continue as a going concern. While our independent registered public accounting firm's report attached to our audited consolidated financial statements for the fiscal year that ended June 30, 2011 does not state that there is a substantial doubt that we will be able to continue as a going concern, there can be no assurance that in the future our independent registered public accounting will not state in their report that there is a substantial doubt that we will be able to continue as a going concern, if, for instance, we are not able to secure acceptable financing to fund our ongoing operations on suitable terms, if at all. In addition, if we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our stockholders could lose their entire investment in our company.

Potential product liability claims could adversely affect our future earnings and financial condition.

We face an inherent business risk of exposure to product liability claims in the event that the use of our products results in adverse affects. As a result, we may incur significant product liability exposure. We may not be able to maintain adequate levels of insurance at reasonable cost and/or reasonable terms. Excessive insurance costs or uninsured claims would add to our future operating expenses and adversely affect our financial condition.

Our principal research and development facilities are located in Israel and the unstable military and political conditions of Israel may cause interruption or suspension of our business operations without warning.

Our principal research and development facilities are located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. Acts of random terrorism periodically occur which could affect our operations or personnel.

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

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

Our cash may be subject to a risk of loss and we may be exposed to fluctuations in the market values of our portfolio investments and in interest rates.

Our assets include a significant component of cash. We adhere to an investment policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize returns. We believe that our cash is held in institutions whose credit risk is minimal and that the value and liquidity of our deposits are accurately reflected in our consolidated financial statements as of June 30, 2011. Currently, we hold almost all of our current assets in bank deposits. We may invest a small portion of our current assets in invested in bonds, government bonds and a combination of corporate bonds and relatively low risk stocks. However, nearly all of our cash and bank deposits are not insured by the Federal Deposit Insurance Corporation, or the FDIC, or similar governmental deposit insurance outside the United States. Therefore, our cash and any bank deposits that we now hold or may acquire in the future may be subject to risks, including the risk of loss or of reduced value or liquidity, particularly in light of the increased volatility and worldwide pressures in the financial and banking sectors. In the future, should we determine that there is a decline in value of any of our portfolio securities which is not temporary in nature, this would result in a loss being recognized in our consolidated statements of operations.

Although our internal control over financial reporting was considered effective as of June 30, 2011, there is no assurance that our internal control over financial reporting will continue to be effective in the future, which could result in our financial statements being unreliable, government investigation or loss of investor confidence in our financial reports.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish an annual report by our management assessing the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Management's report as of the end of fiscal year 2011 concluded that our internal control over financial reporting was effective. There is, however, no assurance that we will be able to maintain such effective internal control over financial reporting in the future. Ineffective internal control over financial reporting can result in errors or other problems in our financial statements. In addition, our internal control over financial reporting is not required to be, and has not been, audited by our independent registered public accounting firm. In the future, if we are unable to assert that our internal controls are effective, our investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline. Failure to maintain effective internal control over financial reporting could also result in investigation or sanctions by regulatory authorities.

Because some of our officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against the management for misconduct and may not be able to enforce judgment and civil liabilities against our officers, directors, experts and agents.

Most of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for you to enforce within the United States any judgments obtained against our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any U.S. state.

Because we do not intend to pay any dividends on our common stock, investors seeking dividend income should not purchase shares of our common stock.

We have not declared or paid any dividends on our common stock since our inception, and we do not anticipate paying any such dividends for the foreseeable future. Investors seeking dividend income should not invest in our common stock.

We have a potential conflict with a prior financing agreement that may expose us to potential litigation.

In our subscription agreement for our May 2007 equity financing, or the Prior Financing Agreement, there is a provision that requires us for a period of four years (subject to acceleration under certain circumstances) not to sell any of our common stock for less than $0.0125 per share. The Prior Financing Agreement provides that any sale below that number must be preceded by a consent from each purchaser in the placement. Since that date, we have effected a one-for-200 reverse stock split.

In August 2008, we entered into securities purchase agreements pursuant to which we sold securities at a price higher than the pre-split price of $0.0125 and below the post-split price of $2.50. We decided to proceed with this offering notwithstanding this provision for the following reasons:

- The agreement did not contain any provisions for the adjustment of the specified minimum price in the event of stock splits and the like. If such agreement were to have contained such a provision, the floor price would be $2.50, which is more than the offering price of this offering.
- The majority of purchasers in the private placement have sold the stock purchased in the placement, and thus the number of purchasers whose consent is purportedly required has been substantially reduced. The number of shares outstanding as to which this provision currently applies according the information supplied by our transfer agent is 2,021,545 shares.
- An agreement that prevents our Board of Directors from issuing shares that are necessary to finance our business may be unenforceable.
- Even if the agreement were considered enforceable and the share price number were to be adjusted for our reverse stock split, we believe that there would be no damage from this offering to the holders of our shares whose consent is purportedly required.

In the event that a court were to hold that the issuance of shares below $2.50 per share would violate the Prior Financing Agreement, it is unclear what remedy the court might impose. If the court were to impose a remedy that would be the equivalent of an anti-dilution provision (which is not contained in the Prior Financing Agreement), any issuance of shares would be dilutive to our shareholders, including those who purchase shares in offerings that took place since then. In addition, since August 2008, we, on several occasions, raised funds at a price per share which is higher than the pre-split price of $0.125 and below the post-split price of $2.50.

In connection with the August, 2008 financing, we approved the issuance of warrants to purchase up to 161,724 shares of our common stock to each of the investors who was a party to the Prior Financing Agreement that held shares purchased pursuant to such agreement, as of August 2008, conditioned on having the investors execute a general release pursuant to which we will be released from liability including, but not limited to, any claims, demands, or causes of action arising out of, relating to, or regarding sales of certain equity securities notwithstanding the above mentioned provision. We received a general release from some of the investors, and issued them warrants to purchase 105,583 shares of our common stock.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

Our principal executive and research and development offices are located at MATAM Advanced Technology Park, Building No. 20, Haifa, Israel 31905, where we occupy approximately 1,280 square meters. We lease our facilities and our lease ends on August 31, 2012. Our monthly rent payment as of July 2011 was 75,000 NIS (approximately $22,000). For the fiscal year ended June 30, 2011, we paid $244,884 for rent. In order to meet an expected need to expand our in-house clinical manufacturing capacity, we entered into a lease agreement with respect to an additional space of 2,600 square meters that we will lease commencing January 15, 2012. We expect to pay a monthly rent of approximately $41,200. We believe that the space available in our new planned facilities is adequate to meet our current and near future needs.

Item 3. Legal Proceedings.

None.

Item 4. [Removed and Reserved]

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares trade on the NASDAQ Capital Market under the symbol PSTI, in the Tel Aviv Stock Exchange under the ticker symbol PLTR and on Europe's Frankfurt Stock Exchange, under the symbol PJT.

The following table reflects the high and low sale prices on the NASDAQ Capital Market obtained from Yahoo! Finance and may not necessarily represent actual transactions.

The high and low closing prices of our common stock for the periods indicated below are as follows:

Quarter Ended	High	Low
September 30, 2009	$1.81	$1.25
December 31, 2009	$1.36	$0.90
March 31, 2010	$1.27	$1.06
June 30, 2010	$1.32	$1.01
September 30, 2010	$1.62	$1.01
December 31, 2010	$1.64	$1.24
March 31, 2011	$4.20	$1.54
June 30, 2011	$3.15	$2.56

On September 1, 2011 the per share closing price of our common stock, as reported by Yahoo! Finance, was $2.65. As of September 1, 2011, there were 102 holders of record of our common stock. As of such date, 42,924,219 common shares were issued and outstanding.

American Stock Transfer and Trust Company, LLC is the registrar and transfer agent for our common shares. Their address is 6201 15th Avenue, 2nd Floor, Brooklyn, NY 11219, telephone: (718) 921-8261, (800) 937-5449.

Dividend Policy

We have not paid any cash dividends on our common stock and have no present intention of doing so. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our Board of Directors.

Recent Sales of Unregistered Securities

In October 2010 we issued 11,250 restricted stock units to a consultant for services rendered.

In May 2011 we issued 42,860 restricted stock units to a company controlled by one of our directors in connection with compensation for such director's services to us. In addition, in May 2011 we issued 12,000 restricted stock units to a consultant for services rendered.

The above issuances and sales were exempt under Section 4(2) of the Securities Act of 1933, as amended.

Item 6. Selected financial data.

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS – YEAR ENDED JUNE 30, 2011 COMPARED TO YEAR ENDED JUNE 30, 2010.

Through June 30, 2011, we have not generated any revenues, and as of such date we have negative cash flow from operations of $28,893,000 and have accumulated a deficit of $50,953,000 since our inception in May 2001. This negative cash flow is mostly attributable to research and development and general and administrative expenses.

Research and Development net

Research and development net costs (costs less participation and grants by the OCS and other parties), for the year ended June 30, 2011 increased by 54% to $6,629,000 from $4,301,000 for the year ended June 30, 2010. This increase is mainly due to the increase in our research and development activities during the fiscal year 2011, and more specifically is attributed to the increase in our stock-based compensation expenses and our salaries and lab materials expenses including hiring 11 new employees since June 2010. This increase is partially offset by a grant from the U.S. government, which was received and recorded in the third quarter of fiscal year 2011, in the amount of $244,000.

General and Administrative

General and administrative expenses for the year ended June 30, 2011 increased by 43% to $4,485,000 from $3,138,000 for the year ended June 30, 2010. This increase is mainly due to an increase in stock-based compensation expenses related to our employees and consultants.

Financial Income, net

Financial income increased from an expense of $14,000 for the year ended June 30, 2010 to income of $266,000 for the year ended June 30, 2011. The increase in the financial income is due to interest income on bank deposits which increased as our cash balance materially increased over the past fiscal year.

Net Loss

Net loss for the year ended June 30, 2011 was $10,848,000 as compared to net loss of $7,453,000 for the year ended June 30, 2010. Net loss per share for the year ended June 30, 2011 was $0.35, as compared to $0.44 for the year ended June 30, 2010. The net loss per share decreased as a result of the increase in our weighted average number of shares due to the issuance of additional shares pursuant to equity issuances since July 1, 2010 as discussed further below.

Liquidity and Capital Resources

As of June 30, 2011, total current assets were $43,297,000 and total current liabilities were $2,018,000. On June 30, 2011, we had a working capital surplus of $41,279,000 and an accumulated deficit of $50,953,000. We finance our operations and plan to continue doing so with issuances of securities, grants from the OCS and other parties and most recently also from licensing our technology.

Cash and cash equivalents as of June 30, 2011 amounted to $42,829,000. This is an increase of $41,246,000 from the $1,583,000 reported as of June 30, 2010. Cash balances increased in the year ended June 30, 2011 for the reasons presented below:

Operating activities used cash of $5,755,000 in the year ended June 30, 2011. Cash used by operating activities in the year ended June 30, 2011 primarily consisted of payments of salaries to our employees, and payments of fees to our consultants, subcontractors and professional services providers including costs of the clinical studies, less research and development grants by the OCS and other parties.

Investing activities used cash of $36,000 in the year ended June 30, 2011. The investing activities consisted primarily of repayments of short-term deposits, offset by investments in equipment for our R&D facilities and construction of a new research lab.

Financing activities generated cash in the amount of $47,037,000 during the year ended June 30, 2011. Substantially all of such amount is attributable to offerings we closed in October 2010 and February 2011 and exercise of warrants, as follows:

On October 18, 2010, we closed an offering pursuant to which we sold 4,375,000 shares of our common stock at a price of $1.20 per share and warrants to purchase 2,625,000 shares of common stock, at an exercise price per share of $1.80. No separate consideration was paid for the warrants. The warrants have a term of four years and are exercisable starting six months following the issuance thereof. The aggregate net proceeds from the sale of the shares and the warrants were approximately $5,006,000.

On February 1, 2011, we closed a firm commitment underwritten public offering of 11,000,000 units, with each unit consisting of one share of our common stock and one warrant to purchase 0.4 shares of common stock, at a purchase price of $3.25 per unit. The warrants sold in the offering are exercisable for a period of five years commencing six months following issuance, at an exercise price of $4.20 per share. Also, on February 1, 2011 we closed the exercise by the underwriters of their full overallotment option to purchase an additional 1,650,000 shares of common stock and warrants to purchase 660,000 shares of common stock. The aggregate net proceeds to us were approximately $38 million.

During January-June 2011, a total of 769,391 warrants were exercised via a "cashless" manner, resulting in the issuance of 362,746 shares of common stock to our investors. In addition 2,079,968 warrants were exercised and resulted in the issuance of 2,079,968 shares of common stock by our investors. The aggregate cash consideration received was $3,593,000.

During the year that ended June 30, 2011 and 2010 we received approximately $2,177,000 and $1,492,000 from the OCS towards our R&D expenses, respectively.

We adhere to an investment policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize return. Such policy further provides that we should hold the vast majority of our current assets in bank deposits and the remainder of our current assets is to be invested in government bonds and a combination of corporate bonds and relatively low risk stocks. As of today, the currency of our financial portfolio is mainly in USD and we use forward and options contracts in order to hedge our exposures to currencies other than the USD.

Outlook

We do not expect to generate any revenues from sales of products in the next twelve months. Our products will likely not be ready for sale for at least three years, if at all. We expect to generate revenues, which in the short and medium terms will unlikely exceed our costs of operations, from sale of licenses to use our technology or products, as we have in the License Agreement we entered into in August 2011 with United.

We anticipate that our operating expenses will increase significantly during fiscal year 2012. This is mainly attributable to the anticipated phase II and phase II/III clinical trials, constructing a clinical manufacturing facility and developing capabilities for new clinical indications of PLX cells. We expect that our general and administrative expenses to continue in fiscal year 2012 at similar levels as they wer in fiscal year 2011.

The OCS has supported our activity in the past five years. Our last program approved by the OCS was for the period March 2010 until February 2011. In March 2011, we filed an application for a sixth year program. There is no assurance that the OCS will approve a grant for another year's R&D activity. The amount of the grant is also not certain.

In addition the European authorities approved a research grant under the European Commission's Seventh Framework Program (FP7) in the amount of approximately $134,000 for a period of 5 years which began on January 1, 2011.

We believe that giving our current business development plan, the funds we have will be sufficient for operating until approximately the end of fiscal year of 2014. However, our management believes that it likely that we will need to raise additional funds before we have positive cash flow from operations. We may raise funds from time to time to support our ongoing capital needs, or if we choose to expand or accelerate our clinical programs or develop new products. We look for sources of funding, including non-diluting sources such as licensing fees and OCS grants. We have an effective shelf registration statement which we have used in recent public offerings we made and may continue to use in the future to raise additional funds, subject to certain limitations based on our size.

Application of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the report amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financials statements.

Stock-based compensation

We account for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated income statements.

We recognize compensation expenses for the value of its awards, which have graded vesting based on the accelerated method over the requisite service period of each of the awards.

We estimate the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, and the expected option term. Expected volatility was calculated based upon actual historical stock price movements over the most recent periods ending on the grant date. The expected life of options granted is calculated using the Simplified Method, as defined in Staff Accounting Bulletin, or SAB No. 107, "Share-Based Payments", or SAB No. 107, as the average between the vesting period and the contractual life of the options. On December 21, 2007 the SEC staff issued SAB No. 110, or SAB 110, which, effective January 1, 2008, amends and replaces SAB No. 107".

We currently use the Simplified Method, as adequate historical experience is not available to provide a reasonable estimate. We adopted SAB 110 effective January 1, 2008 and will continue to apply the Simplified Method until enough historical experience is available to provide a reasonable estimate of the expected term for stock option grants.

We have historically not paid dividends and have no foreseeable plans to distribute dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The expected pre-vesting forfeiture rate affects the number of exercisable options. Based on our historical experience, the pre-vesting forfeiture rate per grant is 5% for the options and shares granted to employees and 0% for the options and shares granted to directors and officers of our Company.

In accordance with ASC 718, restricted shares or restricted shares units are measured at their fair value as if they were vested and issued on the grant date. All restricted shares and restricted shares units to employees and non-employees granted in 2011 and 2010 were granted for no consideration or for a voluntary reduction in cash compensation; therefore their fair value was equal to the share price at the date of grant.

The fair value of all restricted shares and restricted shares units was determined based on the close trading price of our shares known at the grant date.

We apply ASC 718 and ASC 505 (EITF 96-18), "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", with respect to options and warrants issued to non-employees. ASC 718 requires the use of option valuation models to measure the fair value of the options and warrants at the measurement date.

Stock-based compensation is considered critical accounting policy due to the significant expenses of options, restricted stock and restricted stock units which were granted to our employees, directors and consultants. Stock-based compensation expenses that were recorded in fiscal year 2011 amounted to $3,325,000.

Research and Development Expenses, net

We expect our research and development expense to remain our primary expense in the near future as we continue to develop our product candidates. Research and development expense consists of:

- internal costs associated with research and development activities;
- payments made to consultants and subcontractors such as research organizations;
- manufacturing development costs;
- personnel-related expenses, including salaries, benefits, travel, and related costs for the personnel involved in research and development;
- activities relating to the preclinical studies and clinical trials; and
- facilities and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, as well as laboratory and other supplies.

The costs and expenses of our research and development activity are partially funded by grants we have received from the OCS. The grant is deducted from research and development expenses at the time we are entitled to such grant, on the basis of the cost incurred. There can be no assurance that we will continue to receive grants from the OCS in amounts sufficient for our operations, if at all.

Off Balance Sheet Arrangements

Our company has no off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 8. Financial Statements and Supplementary Data.

Our financial statements are stated in thousands United States dollars (US$) and are prepared in accordance with U.S. GAAP.

The following audited consolidated financial statements are filed as part of this annual report of Form 10-K:

Report of Independent Registered Public Accounting Firm, dated September 7, 2011.

Consolidated Balance Sheet.

Consolidated Statements of Operations.

Consolidated Statements of Changes in Stockholders' Equity (Deficiency).

Consolidated Statements of Cash Flows.

Notes to the Consolidated Financial Statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2011

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2011

U.S. DOLLARS IN THOUSANDS

INDEX

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To The Board of Directors and Shareholder Of

PLURISTEM THERAPEUTICS INC.
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Pluristem Therapeutics Inc. and its subsidiary (a development stage company) ("the Company") as of June 30, 2011 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2011 and for the period from May 11, 2001 (inception date) through June 30, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2011, and the consolidated results of operations and cash flows for each of the three years in the period ended June 30, 2011 and for the period from May 11, 2001 (inception date) through June 30, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Haifa, Israel
September 7, 2011

CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands

	Note	June 30, 2011	June 30, 2010
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	$ 42,829	$ 1,583
Short term bank deposit		-	913
Prepaid expenses		314	41
Accounts receivable from the Office of the Chief Scientist		-	706
Other accounts receivable		154	362
Total current assets		43,297	3,605
LONG-TERM ASSETS:			
Long-term deposits and restricted deposits		179	168
Severance pay fund		452	294
Property and equipment, net	4	2,088	1,555
Total long-term assets		2,719	2,017
Total assets		$ 46,016	$ 5,622

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

CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands (except share and per share data)

	Note	June 30, 2011	June 30, 2010
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		$ 1,177	$ 791
Accrued expenses		208	118
Other accounts payable	5	633	372
Total current liabilities		2,018	1,281
LONG-TERM LIABILITIES			
Accrued severance pay		576	360
		576	360
COMMITMENTS AND CONTINGENCIES	6		
STOCKHOLDERS' EQUITY	7		
Share capital:			
Common stock $0.00001 par value: Authorized: 100,000,000 shares. Issued: 42,443,185 shares as of June 30, 2011, 21,458,707 shares as of June 30, 2010. Outstanding: 42,443,185 shares as of June 30, 2011, 20,888,781 shares as of June 30, 2010.		- (*)	- (*)
Additional paid-in capital		94,375	44,086
Accumulated deficit during the development stage		(50,953)	(40,105)
		43,422	3,981
		$ 46,016	$ 5,622

(*) Less than $1.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. Dollars in thousands (except share and per share data)

	Note	Year ended June 30, 2011	2010	2009	Period from May 11, 2001 (Inception) through June 30, 2011
Research and development expenses		$ 8,311	$ 6,123	$ 4,792	$ 31,591
Less participation by the Office of the Chief Scientist and other parties		(1,682)	(1,822)	(1,651)	(6,754)
Research and development expenses, net		6,629	4,301	3,141	24,837
General and administrative expenses		4,485	3,138	3,417	24,996
Know how write-off		-	-	-	2,474
Operating loss		(11,114)	(7,439)	(6,558)	(52,307)
Financial expenses (income), net	8	(266)	14	78	(1,354)
Net loss for the period		$ (10,848)	$ (7,453)	$ (6,636)	$ (50,953)
Loss per share:					
Basic and diluted net loss per share		$ (0.35)	$ (0.44)	$ (0.63)	
Weighted average number of shares used in computing basic and diluted net loss per share		31,198,825	17,004,998	10,602,880	

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Receipts on Account of Common Stock	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount				
Issuance of common stock on July 9, 2001	175,500	$ (*)	$ 3	$ -	$ -	$ 3
Balance as of June 30, 2001	175,500	(*)	3	-	-	3
Net loss	-	-	-	-	(78)	(78)
Balance as of June 30, 2002	175,500	(*)	3	-	(78)	(75)
Issuance of common stock on October 14, 2002, net of issuance expenses of $17	70,665	(*)	83	-	-	83
Forgiveness of debt	-	-	12	-	-	12
Stock cancelled on March 19, 2003	(136,500)	(*)	(*)	-	-	-
Receipts on account of stock and warrants, net of finders and legal fees of $56	-	-	-	933	-	933
Net loss	-	-	-	-	(463)	(463)
Balance as of June 30, 2003	109,665	$ (*)	$ 98	$ 933	$ (541)	$ 490

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in	Receipts on Account of	Deficit Accumulated During the	Total Stockholders'
	Shares	Amount	Capital	Common Stock	Development Stage	Equity (Deficiency)
Balance as of July 1, 2003	109,665	$ (*)	$ 98	$ 933	$ (541)	$ 490
Issuance of common stock on July 16, 2003, net of issuance expenses of $70	3,628	(*)	1,236	(933)	-	303
Issuance of common stock on January 20, 2004	15,000	(*)	-	-	-	(*)
Issuance of warrants on January 20, 2004 for finder's fee	-	-	192	-	-	192
Common stock granted to consultants on February 11, 2004	5,000	(*)	800	-	-	800
Stock based compensation related to warrants granted to consultants on December 31, 2003	-	-	358	-	-	358
Exercise of warrants on April 19, 2004	1,500	(*)	225	-	-	225
Net loss for the year	-	-	-	-	(2,011)	(2,011)
Balance as of June 30, 2004	134,793	$ (*)	$ 2,909	$ -	$ (2,552)	$ 357

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount			
Balance as of July 1, 2004	134,793	$ (*)	$ 2,909	$ (2,552)	$ 357
Stock-based compensation related to warrants granted to consultants on September 30, 2004	-	-	162	-	162
Issuance of common stock and warrants on November 30, 2004 related to the October 2004 Agreement net of issuance costs of $29	16,250	(*)	296	-	296
Issuance of common stock and warrants on January 26, 2005 related to the October 2004 Agreement net of issuance costs of $5	21,500	(*)	425	-	425
Issuance of common stock and warrants on January 31, 2005 related to the January 31, 2005 Agreement	35,000	(*)	-	-	(*)
Issuance of common stock and options on February 15, 2005 to former director of the Company	250	(*)	14	-	14
Issuance of common stock and warrants on February 16, 2005 related to the January 31, 2005 Agreement	25,000	(*)	-	-	(*)

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount			
Issuance of warrants on February 16, 2005 for finder fee related to the January 31, 2005 Agreement	-	-	144	-	144
Issuance of common stock and warrants on March 3, 2005 related to the January 24, 2005 Agreement net of issuance costs of $24	60,000	(*)	1,176	-	1,176
Issuance of common stock on March 3, 2005 for finder fee related to the January 24, 2005 Agreement	9,225	(*)	(*)	-	-
Issuance of common stock and warrants on March 3, 2005 related to the October 2004 Agreement net of issuance costs of $6	3,750	(*)	69	-	69
Issuance of common stock and warrants to the Chief Executive Officer on March 23, 2005	12,000	(*)	696	-	696
Issuance of common stock on March 23, 2005 related to the October 2004 Agreement	1,000	(*)	20	-	20

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount			
Classification of a liability in respect of warrants to additional paid in capital, net of issuance costs of $ 178	-	-	542	-	542
Net loss for the year	-	-	-	(2,098)	(2,098)
Balance as of June 30, 2005	318,768	(*)	6,453	(4,650)	1,803
Exercise of warrants on November 28, 2005 to finders related to the January 24, 2005 agreement	400	(*)	-	-	-
Exercise of warrants on January 25 ,2006 to finders related to the January 25, 2005 Agreement	50	(*)	-	-	-
Reclassification of warrants from equity to liabilities due to application of ASC 815-40	-	-	(8)	-	(8)
Net loss for the year	-	-	-	(2,439)	(2,439)
Balance as of June 30, 2006	319,218	$ (*)	$ 6,445	$ (7,089)	$ (644)

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Receipts on Account of Common Stock	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount					
Balance as of July 1, 2006	319,218	$ (*)	$ 6,445	$ -	$ -	$ (7,089)	$ (644)
Conversion of convertible debenture, net of issuance costs of $440	1,019,815	(*)	1,787	-	-	-	1,787
Classification of a liability in respect of warrants	-	-	360	-	-	-	360
Classification of deferred issuance expenses	-	-	(379)	-	-	-	(379)
Classification of a liability in respect of options granted to non-employees consultants	-	-	116	-	-	-	116
Stock based Compensation to employees, directors and non-employees consultants	-	-	3,324	-	-	-	3,324
Exercise of warrants related to the April 3, 2006 agreement net of issuance costs of $114	75,692	(*)	1,022	-	-	-	1,022
Cashless exercise of warrants related to the April 3, 2006 agreement	46,674	(*)	(*)	-	-	-	-
Issuance of common stock on May and June 2007 related to the May 14, 2007 agreement, net of issuance costs of $64	3,126,177	(*)	7,751	-	-	-	7,751
Receipts on account of shares	-	-	-	368	-	-	368

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Receipts on Account of Common Stock	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total Stockholders' Equity	Total Comprehensive Loss
	Shares	Amount						
Cashless exercise of warrants related to the May 14, 2007 issuance	366,534	(*)	(*)	-	-	-	-	-
Issuance of warrants to investors related to the May 14, 2007 agreement	-	-	651	-	-	-	651	-
Unrealized loss on available for sale securities	-	-	-	-	(30)	-	(30)	$ (30)
Net loss for the year	-	-	-	-	-	(8,429)	(8,429)	(8,429)
Balance as of June 30, 2007	4,954,110	$ (*)	$ 21,077	$ 368	$ (30)	$ (15,518)	$ 5,897	-
Total comprehensive loss								$ (8,459)

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Additional Paid-in Amount	Receipts on Account of Common Capital	Accumulated Other Comprehensive Stock	Deficit Accumulated During the Development Loss	Total Stockholders' Stage	Total Comprehensive Equity	Loss
Balance as of July 1, 2007	4,954,110	$ (*)	$ 21,077	$ 368	$ (30)	$ (15,518)	$ 5,897	
Issuance of common stock related to investors relation agreements	69,500	(*)	275	-	-	-	275	
Issuance of common stock in July 2007 - June 2008 related to the May 14, 2007 Agreement	908,408	(*)	2,246	(368)	-	-	1,878	
Cashless exercise of warrants related to the May 14, 2007 Agreement	1,009,697	(*)	(*)	-	-	-	-	
Stock based Compensation to employees, directors and non-employees consultants	-	-	4,747	-	-	-	4,747	
Realized loss on available for sale securities	-	-	-	-	30	-	30	$ 30
Net loss for the year	-	-	-	-	-	(10,498)	(10,498)	(10,498)
Balance as of June 30, 2008	6,941,715	$ (*)	$ 28,345	$ -	$ -	$ (26,016)	$ 2,329	
Total comprehensive loss								$ (10,468)

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 1, 2008	6,941,715	$ (*)	$ 28,345	$ (26,016)	$ 2,329
Issuance of common stock related to investor relations agreements	171,389	(*)	133	-	133
Issuance of common stock and warrants related to the August 6, 2008 agreement, net of issuance costs of $125	1,391,304	(*)	1,475	-	1,475
Issuance of common stock and warrants related to the September 2008 agreement, net of issuance costs of $62	900,000	(*)	973	-	973
Issuance of common stock and warrants in November 2008 -January 2009, net of issuance costs of $39	1,746,575	(*)	660	-	660
Issuance of common stock and warrants related to the January 20, 2009 agreement, net of issuance costs of $5	216,818	(*)	90	-	90
Issuance of common stock and warrants related to the January 29, 2009 agreement, net of issuance costs of $90	969,826	(*)	1,035	-	1,035
Issuance of common stock and warrants related to the May 5, 2009 agreement, net of issuance costs of $104	888,406	(*)	1,229	-	1,229
Stock based Compensation to employees, directors and non-employees consultants	450,853	(*)	2,106	-	2,106
Net loss for the period	-	-	-	(6,636)	(6,636)
Balance as of June 30, 2009	13,676,886	$ (*)	$ 36,046	$ (32,652)	$ 3,394

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 1, 2009	13,676,886	$ (*)	$ 36,046	$ (32,652)	$ 3,394
Issuance of common stock and warrants related to November 2008 through January 2009 agreements (on July 2009)	1,058,708	(*)	794	-	794
Issuance of common stock and warrants related to October 2009 agreements, net of issuance costs of $242	2,702,822	(*)	2,785	-	2,785
Issuance of common stock and warrants related to April 2010 agreements, net of issuance costs of $54	2,393,329	(*)	2,627	-	2,627
Issuance of common stock related to investor relations agreements	45,033	(*)	63	-	63
Exercise of options by employee	3,747	(*)	2	-	2
Stock based Compensation to employees, directors and non-employees consultants	1,008,256	(*)	1,769	-	1,769
Net loss for the period	-	-	-	(7,453)	(7,453)
Balance as of June 30, 2010	20,888,781	$ (*)	$ 44,086	$ (40,105)	$ 3,981

(*) Less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 1, 2010	20,888,781	$ (*)	$ 44,086	$ (40,105)	$ 3,981
Issuance of common stock and warrants related to October 2010 agreements, net of issuance costs of $244	4,375,000	(*)	5,006	-	5,006
Issuance of common stock and warrants related to February 2011 secondary offering, net of issuance costs of $2,970	12,650,000	(*)	38,142	-	38,142
Exercise of warrants by investors and finders	2,442,714	(*)	3,593	-	3,593
Exercise of options by employees and consultants	103,943	(*)	68	-	68
Issuance of common stock related to investor relations agreements	90,000	(*)	155	-	155
Stock based Compensation to employees, directors and non-employees consultants	1,892,747	(*)	3,325	-	3,325
Net loss for the period	-	-	-	(10,848)	(10,848)
Balance as of June 30, 2011	42,443,185	$ (*)	$ 94,375	$ (50,953)	$ 43,422

(*) Less than $1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year ended June 30,			Period from May 11, 2001 (inception) Through June 30,
	2011	2010	2009	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (10,848)	$ (7,453)	$ (6,636)	$ (50,953)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	312	207	173	1,064
Capital loss	8	-	-	12
Impairment of property and equipment	11	2	5	65
Know-how write-off	-	-	-	2,474
Amortization of deferred issuance costs	-	-	-	604
Stock-based compensation to employees, directors and non-employees consultants	3,325	1,819	2,106	15,989
Stock compensation to investor relations consultants	155	13	133	1,368
Know-how licensors – imputed interest	-	-	-	55
Salary grant in shares and warrants	-	-	-	711
Decrease (increase) in other accounts receivable	656	(307)	(247)	(136)
Decrease (increase) in prepaid expenses	(273)	59	250	(224)
Increase (decrease) in trade payables	455	132	(54)	1,044
Increase (decrease) in other accounts payable and accrued expenses	375	120	(96)	360
Increase in interest receivable on short-term deposit	15	(15)	-	-
Increase in accrued interest due to related parties	-	-	-	3
Linkage differences and interest on long-term restricted lease deposit	(4)	1	-	(5)
Change in fair value of liability in respect of warrants	-	-	-	(2,696)
Fair value of warrants granted to investors	-	-	-	651
Amortization of discount and changes in accrued interest on convertible debentures	-	-	-	128
Amortization of discount and changes in accrued interest from marketable securities	-	-	(3)	(9)
Impairment, realized loss and Loss from sale of investments of available-for-sale marketable securities	-	-	75	478
Accrued severance pay, net	58	14	32	124
Net cash used in operating activities	(5,755)	$ (5,408)	$ (4,262)	$ (28,893)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year ended June 30,			Period from May 11, 2001 (inception) through June 30,
	2011	2010	2009	2011
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of Pluristem Ltd. (1)	$ -	$ -	$ -	$ 32
Purchase of property and equipment	(962)	(389)	(313)	(2,956)
Investment in short-term deposits	-	(2,500)	-	(2,500)
Proceeds from short-term deposits	898	1,602	-	2,500
Proceeds from sale of property and equipment	29	-	-	61
Investment in long-term deposits	(14)	(12)	(8)	(243)
Repayment of long-term restricted deposit	13	3	38	80
Purchase of available for sale marketable securities	-	-	-	(3,784)
Proceeds from sale of available for sale marketable securities	-	-	1,113	3,314
Purchase of know-how	-	-	-	(2,062)
Net cash provided by (used in) investing activities	(36)	(1,296)	830	(5,558)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock and warrants, net of issuance costs	$ 43,400	$ 5,954	$ 5,462	$ 70,745
Exercise of warrants and options	3,661	2	-	4,685
Issuance of convertible debenture	-	-	-	2,584
Issuance expenses related to convertible debentures	-	-	-	(440)
Repayment of know-how licensors	-	-	-	(300)
Repayment of notes and loan payable to related parties	-	-	-	(70)
Proceeds from notes and loan payable to related parties	-	-	-	78
Receipt of long-term loan	-	-	-	49
Repayment of long-term loan	(24)	(8)	(14)	(51)
Net cash provided by financing activities	47,037	5,948	5,448	77,280
Increase (decrease) in cash and cash equivalents	41,246	(756)	2,016	42,829
Cash and cash equivalents at the beginning of the period	1,583	2,339	323	-
Cash and cash equivalents at the end of the period	42,829	$ 1,583	$ 2,339	$ 42,829

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year ended June 30,			Period from May 11, 2001 (inception) through June 30,
	2011	2010	2009	2011
(a) Supplemental disclosure of cash flow activities:				
Cash paid during the period for:				
Taxes paid due to non-deductible expenses	$ 11	$ 7	$ 33	$ 65
Interest paid	$ -	$ 2	$ 3	$ 18
(b) Supplemental disclosure of non-cash activities:				
Classification of liabilities and deferred issuance expenses into equity	$ -	$ -	$ -	$ 97
Conversion of convertible debenture	$ -	$ -	$ -	$ 2,227
Purchase of property and equipment in credit	$ 123	$ 192	$ 20	$ 123

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 1:- GENERAL

a. Pluristem Therapeutics Inc., a Nevada corporation, was incorporated on May 11, 2001. Pluristem Therapeutics Inc. has a wholly owned subsidiary, Pluristem Ltd. (the "Subsidiary"), which is incorporated under the laws of the State of Israel. Pluristem Therapeutics Inc. and the Subsidiary are referred to as the "Company".

b. The Company is devoting substantially all of its efforts towards conducting research and development of placental-derived adherent stromal cells production technology and the commercialization of cell therapy products. Accordingly, the Company is considered to be in the development stage, as defined in Accounting Standards Codification ™ ("ASC") 915. In the course of such activities, the Company have sustained operating losses and expects such losses to continue in the foreseeable future. The Company has not generated any revenues or product sales and has not achieved profitable operations or positive cash flows from operations. The Company's accumulated losses during the development stage aggregated to $50,953 through June 30, 2011 and the Company incurred net loss of $10,848 and negative cash flow from operating activities in the amount of $5,755 for the year ended June 30, 2011. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

The Company plans to continue to finance its operations with sales of equity securities, entering into licensing technology agreements such as United Therapeutics Corporation agreement and from grants to supports its R&D activity. In the longer term, the Company plans to finance its operations from revenues from sales of products.

c. Since December 10, 2007, the Company's shares of common stock have been traded on the NASDAQ Capital Market under the symbol PSTI. On May 7, 2007, the Company's shares also began trading on Europe's Frankfurt Stock Exchange, under the symbol PJT.

On December 19, 2010, the Company's shares began trading on the Tel-Aviv Stock Exchange, under the symbol "PLTR".

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") applied on consistent basis.

a. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments, and assumptions that are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

b. Functional currency of the Subsidiary

It is anticipated that the majority of the Subsidiary's revenues will be generated outside Israel and will be determined in U.S. Dollars ("dollars"). In addition, most of the financing of the Subsidiary's operations has been made in dollars. The Company's management believes that the dollar is the primary currency of the economic environment in which the Subsidiary operates. Thus, the functional currency of the Subsidiary is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses from the remeasurement of monetary balance sheet items are reflected in the statement of operations as financial income or expenses, as appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. Principles of consolidation

The consolidated financial statements include the accounts of Pluristem Therapeutics Inc. and its Subsidiary. Intercompany transactions and balances have been eliminated upon consolidation.

d. Cash and cash equivalents

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

e. Short-term bank deposit

Bank deposits with original maturities of more than three months but less than one year are presented as part of short-term investments. Deposits are presented at their cost including accrued interest. Interest on deposits is recorded as financial income.

f. Long-term restricted deposit

Long-term restricted deposit with maturities of more than one year used to secure lease agreement and hedge transactions not designated as hedging accounting instruments are presented at cost.

g. Property and Equipment

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

	%
Laboratory equipment	10-15
Computers and peripheral equipment	33
Office furniture and equipment	6-15
Vehicles	15
Leasehold improvements	over the shorter of the expected useful life or the reasonable assumed term of the lease.

h. Impairment of long-lived assets

The Company's long-lived assets and identifiable intangibles are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment" whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

i. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Accounting for stock-based compensation (cont.):

The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated income statements.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on the accelerated method over the requisite service period of each of the awards.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, and the expected option term. Expected volatility was calculated based upon actual historical stock price movements over the most recent periods ending on the grant date. The expected life of options granted is calculated using the Simplified Method, as defined in Staff Accounting Bulletin No. 107, "Share-Based Payments", as the average between the vesting period and the contractual life of the options. On December 21, 2007 the SEC staff issued Staff Accounting Bulletin No. 110 ("SAB 110"), which, effective January 1, 2008, amends and replaces SAB 107, "Share-Based Payments".

The Company currently uses the Simplified Method as adequate historical experience is not available to provide a reasonable estimate. The Company adopted SAB 110 effective January 1, 2008 and will continue to apply the Simplified Method until enough historical experience is available to provide a reasonable estimate of the expected term for stock option grants.

The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The expected pre-vesting forfeiture rate affects the number of exercisable options. Based on Company's historical experience, the pre-vesting forfeiture rate per grant is 5% for the options and shares granted to employees and 0% for the options and shares granted to directors and officers of the Company.

The fair value of the Company's stock options granted to employees and directors for the year ended June 30, 2009 was estimated using the following assumptions (during fiscal years 2010, 2011 there were no options grants to employees or directors):

	Year ended June 30, 2009
Risk free interest rate	1.8 %
Dividend yields	0 %
Volatility	132 %
Expected term (in years)	6

The assumptions below are relevant to restricted shares and restricted shares units granted in 2011 and 2010:

In accordance with ASC 718, restricted shares or restricted shares units are measured at their fair value as if it was vested and issued on the grant date. All restricted shares and restricted shares units to employees and non-employees granted in 2011 and 2010 were granted for no consideration or for a voluntary reduction in cash compensation; therefore their fair value was equal to the share price at the date of grant.

The fair value of all restricted shares and restricted shares units was determined based on the close trading price of the Company's shares known at the grant date. The weighted average grant date fair value of share granted during years 2011 and 2010 was $1.88 and $1, respectively.

The Company applies ASC 718 and ASC 505 with respect to options and warrants issued to non-employees. ASC 718 requires the use of option valuation models to measure the fair value of the options and warrants at the measurement date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. Research and Development expenses and R&D grants

Research and development expenses, net of participations are charged to the Statement of Operations as incurred.

R&D grants from the government of Israel and other parties for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the cost incurred and applied as a deduction from research and development costs.

k. Participation of research and development expenses by other parties

In February 2011, the Company received a cash grant of $244 under the U.S. government's Qualifying Therapeutic Discovery Project ("QTDP") to fund its research and development costs incurred in fiscal years 2009 and 2010. The QTDP program was created by Congress as part of the Patient Protection and Affordable Care Act. The Company recorded the grant in 2011 as a reduction of research and development expenses.

l. Loss per share

Basic net loss per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares of Common stock outstanding during each year, plus dilutive potential shares of common stock and warrants considered outstanding during the year, in accordance with ASC 260, "Earnings Per Share". All outstanding stock options and unvested Restricted stock units have been excluded from the calculation of the diluted loss per common share because all such securities are anti-dilutive for each of the periods presented.

m. Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This Topic prescribes the use of the liability method, whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

ASC 740 establishes a single model to address accounting for uncertain tax positions. ASC 740 clarified the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of the provisions of ASC 740 did not have a material impact on the Company's consolidated financial position and results of operation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

n. Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term deposits, long-term deposits and restricted deposits.

The majority of the Company's cash and cash equivalents and short-term and long-term deposits are invested in dollar instruments of major banks in Israel. Generally, these deposits may be redeemed upon demand and therefore bear minimal risk.

o. Severance pay

The Subsidiary's liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its employees is fully provided by monthly deposits with insurance policies and by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds include profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes immaterial profits or losses.

Severance expenses for the years ended June 30, 2011, 2010 and 2009 amounted to approximately $225, $134, and $120, respectively.

p. Fair value of financial instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, short-term deposits, other receivables, trade payable and other accounts payable and accrued liabilities, approximate fair value because of their generally short term maturities.

Effective January 1, 2008, the Company adopted ASC 820, "Fair value and disclosure". ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy.

The hierarchy is broken down into three levels based on the inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p. Fair value of financial instruments (cont.):

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

q. Derivative financial instruments

The Company's Derivatives are not designated as hedging accounting instruments under ASC 815, Derivatives and Hedging. Those derivatives consist primarily of forward and options contracts the Company uses to hedge the Company's exposures to currencies other than the U.S. dollar. The Company recognized derivative instruments as either assets or liabilities and measures those instruments at fair value. Since the derivative instruments that the Company holds do not meet the definition of hedging instruments under ASC 815, the Company recognizes changes in the fair values in its statement of income in financial income, net, in the same period as the remeasurement gain and loss of the related foreign currency denominated assets and liabilities.

The fair value of the forward and options contracts as of June 30, 2011 and 2010 were recorded as on asset of $7 and aliability of $6, respectively.

r. Impact of recently issued accounting standards

1. Adoption of New Accounting Standards during the period:

In July 21, 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The new disclosure guidance will significantly expand the existing disclosure requirements surrounding finance receivables and the allowance for loan losses. The objectives of the enhanced disclosures are to provide information that will enable readers of financial statements to understand the nature of credit risk in financing receivables, how that risk is analyzed in determining the related allowance for loan losses, and changes to the allowance during the reporting period. The new disclosures are required starting in the first interim or annual reporting period on or after December 31, 2010. The adoption of the new guidance does not have a material impact on its consolidated financial statements.

2. Recently issued accounting Standards

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The new guidance does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within GASP or International Financial Reporting Standards ("IFRSs"). The new guidance also changes the working used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements and it clarifies the FASB's intent about the application of existing fair value measurements. The new guidance applies prospectively and is effective for interim and annual periods beginning after December 15, 2011. The Company will adopt the provisions of this new guidance on January 1, 2012. The Company do not expect the adoption of the new provisions to have a material impact on its consolidated financial position, results of operations or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3:- CASH AND CASH EQUIVALENTS

	June 30,	
	2011	2010
In U.S. dollars	$ 42,021	$ 1,271
In New Israeli Shekels (NIS)	806	304
Other currencies	2	8
	$ 42,829	$ 1,583

NOTE 4:- PROPERTY AND EQUIPMENT, NET

	June 30,	
	2011	2010
Cost:		
Laboratory equipment	$ 1,864	$ 1,452
Computers and peripheral equipment	207	150
Office furniture and equipment	95	80
Leasehold improvements	744	430
Vehicle	68	63
Total Cost	2,978	2,175
Accumulated depreciation:		
Laboratory equipment	551	383
Computers and peripheral equipment	138	116
Office furniture and equipment	36	24
Leasehold improvements	155	71
Vehicle	10	26
Total accumulated depreciation	890	620
Property and equipment, net	$ 2,088	$ 1,555

Depreciation expenses amounted to $312 , $207 and $173 for the years ended June 30, 2011, 2010 and 2009, respectively.

U.S. Dollars in thousands (except per share amounts)

NOTE 5:- OTHER ACCOUNTS PAYABLE

	June 30,	
	2011	2010
Accrued payroll	$ 155	$ 102
Payroll institutions	143	91
Accrued vacation	275	150
Liability in respect of hedge transactions	-	5
Current maturities of long-term obligation	60	24
	$ 633	$ 372

NOTE 6:- COMMITMENTS AND CONTINGENCIES

a. The Subsidiary leases facilities under operating lease agreements. The leasing period for the leased area is 62 months as of July 1, 2007. The monthly payment is 64 thousand NIS starting from September 1, 2007 and is linked to the Israeli Consumer Price Index ("CPI"). The Subsidiary may extend the leasing period by 60 months, if an advanced notice is given. As of June 30, 2011 the monthly payment on leasing is approximately $20.

In order to secure these agreements, the Subsidiary pledged a deposit with the bank in the amount of $96. In addition, the Subsidiary has issued a bank guarantee in favor of the lessor in the amount of $111.

Lease expenses amounted $245, $227 and $218 for the years ended June 30, 2011, 2010 and 2009, respectively.

As of June 30, 2011 future rental commitments under the existing lease agreement and supplement are as follows:

Year ended June 30, 2012	$ 260
Year ended June 30, 2013	43
Total	$ 303

b. The Subsidiary leases 14 cars under operating lease agreements, which expire in years 2011 through 2014. The monthly payment is approximately $13 and is linked to the CPI. In order to secure these agreements, the Subsidiary pledged a deposit in the amount of $35.

Lease expenses amounted to $148, $116 and $86 for the years ended June 30, 2011, 2010 and 2009, respectively.

As of June 30, 2011 future rental commitments under the existing lease agreements are as follows:

Year ended June 30, 2012	$ 151
Year ended June 30, 2013	118
Year ended June 30, 2014	43
Total	$ 312

c. A deposit in the amount of $50 was pledged by the Company to secure the hedging transactions and a credit line.

NOTE 6:- COMMITMENTS AND CONTINGENCIES (CONT.)

d. Under the Law for the Encouragement of Industrial Research and Development, 1984, commonly referred to as the Research Law, research and development programs that meet specified criteria and are approved by a governmental committee of the Office of the Chief Scientist ("OCS") are eligible for grants of up to 50% of the project's expenditures, as determined by the research committee, in exchange for the payment of royalties from the sale of products developed under the program. Regulations under the Research Law generally provide for the payment of royalties to the Chief Scientist of 3% to 5% on sales of products and services derived from a technology developed using these grants until 100% of the dollar-linked grant is repaid. The Company's obligation to pay these royalties is contingent on its actual sale of such products and services. In the absence of such sales, no payment is required. Effective for grants received from the Chief Scientist under programs approved after January 1, 1999, the outstanding balance of the grants will be subject to interest at a rate equal to the 12 month LIBOR applicable to dollar deposits that is published on the first business day of each calendar year. Following the full repayment of the grant, there is no further liability for royalties.

Through June 30, 2011 and 2010, total grants obtained aggregated $6,256 and $4,079, respectively.

e. See note 7 n relating the May 2007 Agreement.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS

a. On December 22, 2009, the Company's authorized common stock was increased from 30,000,000 shares with a par value of $0.00001 per share to 100,000,000 shares with a par value of $0.00001 per share. All shares have equal voting rights and are entitled to one vote per share in all matters to be voted upon by stockholders. The shares have no pre-emptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Holders of the common stock are entitled to equal ratable rights to dividends and distributions with respect to the common stock, as may be declared by the Board of Directors out of funds legally available.

On July 1, 2008, the authorized share capital of the Company was increased by authorizing 10,000,000 shares of preferred stock, par value $0.00001 each, with series, rights, preferences, privileges and restrictions as may be designated from time to time by the Company's Board of Directors. No shares of preferred stock have been currently issued.

b. On July 9, 2001, the Company issued 175,500 shares of common stock in consideration for $2.50, which was received on July 27, 2001.

c. On October 14, 2002, the Company issued 70,665 shares of common stock at a price of approximately $1.40 per common share in consideration for $100 before issuance costs of $17. On March 19, 2003, two directors each returned 68,250 shares of common stock with a par value of $2.00 per share, for cancellation, for no consideration.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

d. In July 2003, the Company issued an aggregate of 3,628 units comprised of 3,628 shares of common stock and 7,256 warrants to a group of investors, for total consideration of $1,236 (net of issuance costs of $70), under a private placement. The consideration was paid partly in the year ended June 30, 2003 ($933) and the balance was paid in the year ended June 30, 2004.

In this placement each unit was comprised of one share of common stock and two warrants, the first warrant was exercisable within a year from the date of issuance for one share of common stock at a price of $450 per share. The second warrant is exercisable within five years from the date of issuance for one share of common stock at a price of $540 per share. All the warrants expired unexercised.

e. On January 20, 2004, the Company consummated a private equity placement with a group of investors (the "Investors"). The Company issued 15,000 units in consideration for net proceeds of $1,273 (net of issuance costs of $227). Each unit is comprised of 15,000 shares of common stock and 15,000 warrants. Each warrant is exercisable into one share of common stock at a price of $150 per share, and may be exercised until January 31, 2007

The Company allocated the gross amount received of $1,500 to the par value of the shares issued ($0.03) and to the liability in respect of the warrants issued ($1,499.97). The amount allocated to the liability was less than the fair value of the warrants at grant date. On January 31, 2007 all the warrants expired unexercised.

In addition, the Company issued 1,500 warrants to finders in connection with this private placement, exercisable into 1,500 common shares at a price of $150 per common share until January 31, 2007. The fair value of the warrants issued in the amounts of $192 was recorded as deferred issuance costs and is amortized over a period of three years. On April 19, 2004, the finders exercised the warrants.

f. In October 2004, the Company consummated a private placement offering ("the October 2004 Agreement") pursuant to which it issued 42,500 units. Each unit is comprised of one share of common stock and one warrant. The warrant is exercisable for one common stock at an exercise price of $60 per share, subject to certain adjustments. The units were issued as follows:

In November 2004, the Company issued according to the October 2004 Agreement 16,250 units comprised of 16,250 shares of common stock and 16,250 warrants to a group of investors, for total consideration of $296 (net of cash issuance costs of $29), and additional 600 warrants to finders as finders' fees.

In January 2005, the Company issued according to the October 2004 Agreement an additional 21,500 units for total consideration of $425 (net of cash issuance costs of $5), and additional 450 warrants were issued to finders as finders' fees.

In March 2005, the Company issued according to the October 2004 Agreement additional 3,750 units for total consideration of $69 (net of cash issuance costs of $6), and additional 175 warrants were issued to finders as finders' fees.

In March 2005, the Company issued according to the October 2004 Agreement 1,000 common shares and 1,000 share purchase warrants to one investor for total consideration of $20 which was paid to the Company in May 2005.

On November 30, 2006, all the warrants expired unexercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

g. On January 24, 2005, the Company consummated a private placement offering (the "January 24, 2005 Agreement") which was closed on March 3, 2005 and issued 60,000 units in consideration for $1,176 (net of cash issuance costs of $24). Each unit is compromised of one share of common stock and one warrant. The warrant is exercisable for one share of common stock at a price of $60 per share. On November 30, 2006, all the warrants expired unexercised. Under this agreement the Company issued to finders 9,225 shares and 2,375 warrants with exercise price of $500 per share exercisable until November 2007. On November 30, 2007, 1,925 unexercised warrants expired.

h. On January 31, 2005, the Company consummated a private equity placement offering (the "January 31, 2005 Agreement") with a group of investors according to which it issued 60,000 units in consideration for net proceeds of $1,137 (net of issuance costs of $63). Each unit is comprised of one share of common stock and one warrant. Each warrant is exercisable into one share of common stock at a price of $60 per share. The January 31, 2005 Agreement includes a finder's fee of a cash amount equal to 5% of the amount invested ($60) and issuance of warrants for number of shares equal to 5% of the number of shares that were issued (3,000) with an exercise price of $20 per share, subject to certain adjustments, exercisable until November 30, 2006.

As of the date of the issuance, the Company allocated the gross amount received of $1,200 to the par value of the shares issued ($0.12) and to the liability in respect of the warrants issued ($1,200). Issuance expenses in the amount of $63 and finder's fee in the amount of $144 were recorded as deferred issuance costs. The amount allocated to the liability was less than the fair value of the warrants at grant date. On May 13, 2005, the Registration Statement became effective and the Company was no longer subject to possible penalties. As such, the liability and the deferred issuance costs related to the agreement has been classified to the Stockholders Equity as Additional Paid in Capital. As of May 13, 2005, the fair value of the liability in respect of the warrants issued was $720 and the amount of the deferred issuance costs was $178.

On November 30, 2006, all the warrants expired unexercised.

i. On March 23, 2005, the Company issued 12,000 shares of common stock and 12,000 options as a bonus to the then Chief Executive Officer. Salary expenses of $696 were recognized in respect of this bonus based on the quoted market price of the Company's stock and the fair value of the options granted using the Black−Scholes valuation model. On November 30, 2006, all the warrants expired unexercised.

j. On February 11, 2004, the Company issued an aggregate amount of 5,000 shares of common stock to a consultant and service provider as compensation for carrying out investor relations activities during the year 2004. Total compensation, measured as the grant date fair market value of the stock, amounted to $800 and was recorded as an operating expense in the statement of operations in the year ended June 30, 2004.

k. In November 2005-January 2006, a total of 450 warrants were issued to finders as finder fees related to the January 24, 2005 Agreement, were exercised.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

l. Convertible Debenture

On April 3, 2006, the Company issued Senior Secured Convertible Debentures (the "Debentures"), for gross proceeds of $3,000. In conjunction with this financing, the Company issued 236,976 warrants exercisable for three years at an exercise price of $15.00 per share. The Company paid a finder's fee of 10% in cash and issued 47,394 warrants exercisable for three years, half of which are exercisable at $15.00 and half of which are exercisable at $15.40 per share. The Company also issued 5,000 warrants in connection with the separate finder's fee agreement related to the issuance of the debenture exercisable for three years at an exercise price of $15.00 per share.

a. Interest accrued on the Debentures at the rate of 7% per annum, was payable semi-annually on June 30 and December 31 of each year and on conversion and at the maturity date. Interest was payable, at the option of the Company, either (1) in cash, or (2) in shares of common stock at the then applicable conversion price.

b. The warrants, issued as of April 3, 2006, become first exercisable on the 65th day after issuance.

In accordance with ASC 815-40, the Company allocated the consideration paid for the convertible debenture and the warrants as follows:

The warrants were recorded as a liability based on their fair value in the amount of $951 at grant date. The Company estimated the fair value of the warrants using a Black-Scholes option pricing model, with the following assumptions: volatility of 83%, risk free interest rate of 4.8%, dividend yield of 0%, and an expected life of 36 months. Changes in the fair value are recorded as interest income or expense, as applicable.

The fair value of the conversion feature of the debentures at grant date, in the amount of $1,951 was recorded as a liability.

The balance of the consideration, in the amount of $97, was allocated to the debentures. The discount in the amount of $2,903 was amortized according to the effective rate interest method over the debentures contractual period (24 months).

The fair value of the warrants issued as a finder's fee and the finder's fee in cash amounted to $535 and were recorded as deferred issuance expenses and are amortized over the Debentures' contractual period. The Company estimated the fair value of the warrants using a Black - Scholes option pricing model, with the following assumptions: volatility of 83%, risk free interest rate of 4.8%, dividend yield of 0%, and an expected life of 36 months.

According to ASC 815-40, , on April 3, 2006, the Company's warrants and options (other than employee stock options) were classified as liabilities and measured at fair value with changes recognized currently in earnings.

As of November 9, 2006, all of the Debentures, were converted into 969,815 shares. As a result, an amount of $1,787 was reclassified into common stock and additional paid-in net of issuance expenses in the amount of $440. In addition, the warrants and options to consultants in the amount of $476 and deferred issuance expenses in the amount of $379 were reclassified as equity.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

l. Convertible Debenture (Cont.):

Pursuant to an investor relations agreement dated April 28, 2006, the Company paid in cash an amount of $440 on October 19, 2006 and issued 50,000 common shares on November 9, 2006 to certain service providers following reaching certain milestones regarding the conversion of the Debentures as agreed to by the parties.

During the year ended June 30, 2007, 186,529 of the warrants which were issued on April 3, 2006, were exercised. 75,692 warrants were exercised into shares in consideration for $1,022 (net of cash exercise costs of $114), and 110,836 warrants were exercised cashless into 46,674 shares. On April 30, 2009, the rest of the warrants expired unexercised.

m. On May 14, 2007, the Company consummated a private equity placement with a group of investors for an equity investment (the "May 2007 Agreement"). The Company sought a minimum of $7,000 and up to a maximum of $13,500 for shares of the Company's common stock at a per share price of $2.50, and warrants to purchase shares at an exercise price of $5.00 exercisable until five years after the closing date of the agreement.

The total proceeds related to the May 2007 Agreement accumulated as of June 30, 2008 were $9,997 (net of cash issuance costs of $89), and 4,034,585 shares and 4,034,585 warrants were issued.

In connection with the May 2007 Agreement, the Company issued 275,320 warrants to finders as finders' fee. The warrants are exercisable for five years from the date of grant at an exercise price of $2.50 per share.

During 2008 and 2007, 1,361,818 and 500,000 warrants related to the May 2007 Agreement were exercised on a cashless basis for 1,009,697 shares of stock and 366,534 shares of stock, respectively.

n. The Company issued 28,398 warrants to the investors related to the May 2007 Agreement as compensation to investors who delivered the invested amount prior to the closing date of the placement. The warrants are exercisable for five years at an exercise price of $2.50 per share. The Company recorded the fair value of the warrants as financial expenses in the amount of $651 in the year ended June 30, 2007. The fair value of these warrants was determined using the Black-Scholes pricing model, assuming a risk free rate of 4.8%, a volatility factor of 128%, dividend yield of 0% and expected life of five years.

In the May 2007 Agreement, there is a provision that requires the Company for a period of four years (subject to acceleration under certain circumstances) not to sell any of the Company's common stock for less than $0.0125 per share (pre-split price). The May 2007 Agreement provides that any sale below that price must be preceded by consent from each purchaser in the placement.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

n. (Cont.):

Since that date, the Company had effected a one-for-200 reverse stock split. The Company decided to proceed and enter into additional security purchase agreements notwithstanding this provision for the following reasons:

- The agreement does not contain any provisions for the adjustment of the specified minimum price in the event of stock splits and the like. If such agreement were to have contained such a provision, the floor price would be $2.50.
- The majority of purchasers in the private placement have sold the stock purchased in the placement, and thus the number of purchasers whose consent is purportedly required has been substantially reduced. The number of shares outstanding as to which this provision currently applies according the information supplied by transfer agent is 2 million shares.
- An agreement that prevents the Company's Board of Directors from issuing shares that are necessary to finance the Company's business may be unenforceable.

It is unclear what could be the consequences of a court decision that the issuance of shares below $2.50 per share violates the May 2007 Agreement.

In connection therewith, the Company approved the issuance of warrants to purchase up to 161,724 shares of its common stock to each of the investors who was a party to the May 2007 Agreement that held shares purchased pursuant to such agreement, as of August 6, 2008, conditioned on having the investors execute a general release pursuant to which the Company will be released from liability including, but not limited to, any claims, demands, or causes of action arising out of, relating to, or regarding sales of certain equity securities notwithstanding the above mentioned provision. The Company received a general release from some of the investors, and issued them warrants to purchase 105,583 shares of its common stock. On November 9, 2010, all of such warrants expired unexercised.

o. On August 6, 2008, the Company sold 1,391,304 shares of the Company's common stock and warrants to purchase 695,652 shares of common stock at an exercise price of $1.90 to two investors in consideration of $1,600 pursuant to terms of a securities purchase agreement. The placement agent received a placement fee equal to 6% of the gross purchase price of the Units (excluding any consideration that may be paid in the future upon exercise of the warrants) as well as warrants to purchase 83,478 shares of common stock at an exercise price of $1.44 per share. The warrants will be exercisable after six months from the closing date through and including August 5, 2013. Total cash issuance costs related to this placement amounted to $125.

p. On September 22, 2008, the Company sold 900,000 shares of the Company's common stock and warrants to purchase 675,000 shares of common stock to an investor in consideration for $1,035 pursuant to terms of a securities purchase agreement. The price per share of common stock was $1.15, and the exercise price of the warrants is $1.90. The warrants will be exercisable for a period of five years. As part of this transaction, the Company paid a transaction fee to the finders equal to 6% of the actual purchase price and warrants exercisable for five years at an exercise price of $1.50 per share to purchase 54,000 of the Company's shares of common stock. Total cash issuance costs related to this placement amounted to $62.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

q. From November 2008 through January 2009, the Company entered into a securities purchase agreement with investors, pursuant to which the Company sold 1,746,575 shares of its common stock at a price of $0.40 per share, for an aggregate purchase price of $699, and issued warrants to purchase up to an additional 1,746,575 shares of common stock with an exercise price of $1.00 per share. The warrants will be exercisable after six months from the closing date and will expire after five years. Pursuant to the agreement, the investors have the option, by notice to the Company no later than 10 business days following the release of an official announcement by the Company that it is initiating its first human clinical trials, to purchase an additional 931,507 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $699, and receive therewith warrants to purchase up to an additional 931,507 shares of common stock with an exercise price of $1.50 per share.

The issuance costs include $39 in cash and warrants exercisable for five years at an exercise price of $1.00 per share to purchase 96,579 of the Company's shares of common stock.

r. On January 20, 2009, the Company sold 216,818 shares of its common stock and warrants to purchase 216,818 shares of common stock to investors in consideration for $95 pursuant to terms of a securities purchase agreement. The price per share of common stock is $0.44, and the exercise price of the warrants is $1.00 per share. The warrants will be exercisable after six months from the closing date and will expire after five years. Pursuant to the agreement, the investors have the option, by notice to the Company no later than 10 business days following the release of an official announcement by the Company that it is initiating its first human clinical trials, to purchase an additional 127,200 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $95, and receive therewith warrants to purchase up to an additional 127,200 shares of common stock with an exercise price of $1.50 per share (the "January 20 Option"). The January 20 Option is exercisable within six months from the closing date. As part of this transaction, the Company paid a transaction fee to finders in an amount of $5 in cash and issued them warrants exercisable for two years at an exercise price of $1.00 per share to purchase 12,273 shares of the Company's common stock.

s. On January 29, 2009, the Company entered into a subscription agreement with certain investors, pursuant to which the Company sold to such investors 969,826 units, each unit consisting of one share of common stock and a warrant to purchase one of the Company's share of common stock ("Unit"). The purchase price per Unit was $1.16 and the aggregate purchase price for the said Units was approximately $1,125. The warrants are exercisable 181 days following the issuance thereof for a period of five years thereafter at an exercise price of $1.90 per share. The Company paid a transaction fee to finders in an amount of $90 in cash and issued them warrants exercisable after six months for five years at an exercise price of $1.90 per share to purchase 80,983 shares of the Company's common stock.

t. On May 5, 2009, the Company entered into securities purchase agreements with two investors pursuant to which the Company sold 888,406 shares of its common stock and warrants to purchase 488,623 shares of common stock in consideration for $1,333. The exercise price of the warrants is $1.96 per share and they will be exercisable for a period of five years commencing six months following the issuance thereof.

The Company paid a transaction fee to finders in an amount of $104 in cash and issued them warrants exercisable after six months for five years at an exercise price of $1.875 per share to purchase 53,304 shares of the Company's common stock.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

u. On July 7, 2009, the Company announced that the first patient has been enrolled in a Phase I clinical trial of its PLX-PAD product. Upon the occurrence of such event, certain investors had an option from prior agreements from November 2008 through January 2009 to purchase additional shares and warrants. Accordingly, certain investors purchased in July 2009, 1,058,708 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $794, and warrants to purchase up to an additional 1,058,708 shares of common stock with an exercise price of $1.50 per share. The warrants are exercisable for a period of 4 years and six months commencing six months following the issuance.

v. On October 12, 2009, certain institutional investors purchased 2,702,822 shares of the Company's common stock and warrants to purchase 1,081,129 shares of common stock. The price per share of common stock was $1.12, and the exercise price of the warrants was $1.60 per share. The warrants will be exercisable for a period of five years commencing six months following the issuance thereof. The gross proceeds received from this offering were approximately $3,027. Total cash costs related to this placement amounted to $242.

w. On April 27, 2010, the Company closed a private placement pursuant to which it sold to certain investors 2,393,329 shares of common stock and warrants to purchase 717,999 shares of common stock and 717,999 shares of common stock, at exercise prices per share of $1.25 (the "$1.25 Warrants") and $1.40 (the "$1.40 Warrants"), respectively. The price per share of common stock was $1.12. The aggregate gross proceeds from the sale of the common stock and the warrants were $2,681. The warrants are exercisable six months following the issuance thereof, for a period of two and a half years and five years thereafter for the $1.25 Warrants and the $1.40 Warrants, respectively.

The Company paid a transaction fee to finders in an amount of $54 in cash and issued them warrants exercisable at an exercise price of $1.12 per share to purchase 146,144 shares of the Company's common stock.

x. On October 18, 2010, the Company closed a private placement, pursuant to which the Company sold 4,375,000 shares of the Company's common stock at a price of $1.20 per share and warrants to purchase 2,625,000 shares of common Stock, at an exercise price per share of $1.80. No separate consideration was paid for the warrants. The warrants have a term of four years and are exercisable starting six months following the issuance thereof. The aggregate gross proceeds from the sale of the shares and the warrants were $5,250.

The Company paid a transaction fee to finders in an amount of $244 in cash and issued them warrants to purchase 151,050 shares of the Company's common stock.

In connection with the purchase agreements, the Company agreed to file a resale registration statement with the Securities and Exchange Commission covering the shares and the shares of common stock issuable upon the exercise of the warrants within 60 days from closing. The registration statement was filed and on December 10, 2010 it became effective.

y. On February 1, 2011, the Company closed a firm commitment underwritten public offering of 11,000,000 units, with each unit consisting of one share of the Company's common stock and one warrant to purchase 0.4 shares of common stock, at a purchase price of $3.25 per unit. The warrants sold in the offering will be exercisable for a period of five years commencing six months following issuance, at an exercise price of $4.20 per share. Also, on February 1, 2011 the Company closed the exercise by the underwriters of their full overallotment option to purchase an additional 1,650,000 shares of common stock and warrants to purchase 660,000 shares of common stock. The aggregate net proceeds to the Company were $38,142, after deducting underwriting commissions and discounts and expenses payable by the Company associated with the offering.

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

z. In January-June 2011, a total of 769,391 warrants were exercised via a "cashless" manner, resulting in the issuance of 362,746 shares of common stock to investors of the Company. In addition 2,079,968 warrants were exercised and resulted in the issuance of 2,079,968 shares of common stock by investors of the Company. The aggregate cash consideration received was $3,593.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

aa. The following table summarizes the issuance of shares of common stock to the Company's investor relations consultants as compensation for their services since July 1, 2007:

Period of service	Number of shares issued	Fair market value of the shares issued at the issuance date	Expenses in the statements of operations for the Year ended June 30, 2009	Year ended June 30, 2010	Year ended June 30, 2011
July – December 2007	10,000	$ 149	$ -	$ -	$ -
February – July 2008	7,500	18	-	-	-
March - September 2008	3,500	8	2	-	-
April – June 2008	50,000	102	-	-	-
July 2008 – June 2009	16,129	10	10	-	-
July –September 2008	40,000	46	46	-	-
October 2008	750	1	1	-	-
October 2008	20,000	12	12	-	-
December 2008 – November 2009	50,000	24	14	10	-
February – July 2009	9,510	12	12	-	-
February – April 2009	30,000	32	32	-	-
April 2009	3,500	4	4	-	-
July 2009	1,929	3	-	3	-
July 2010 – June 2011	90,000	155	-	-	155
Total	**332,818**	**$ 576**	**$ 133**	**$ 13**	**$ 155**

The issuance of shares to the consultants was in some cases in addition to cash compensation the consultants were entitled to.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants:

The Company has approved two incentive option plans from 2003 and from 2005 (the "2003 Plan" and the "2005 Plan", and collectively, the "Plans"). Under the Plans, options, restricted stock and restricted stock units (the "Awards") may be granted to the Company's officers, directors, employees and consultants.

Each option granted under the 2005 Plan, as it was amended and restated on January 21, 2009 is exercisable through the expiration date of the 2005 Plan, which is December 31, 2018, unless stated otherwise. The Awards vest over two years from the date of grant unless other vesting schedules are specified. Any Awards that are cancelled or forfeited before expiration become available for future grants.

As of June 30, 2011, the number of shares of common stock authorized for issuance under the 2005 Plan amounted to 10,196,803. 2,335,748 shares are still available for future grant under the 2005 Plan as of June 30, 2011. Under the 2003 Plan 20,500 options are authorized for issuance, and 13,040 options are still available for future grant.

a. Options to employees and directors:

The Company accounted for its options to employees and directors under the fair value method in accordance with ASC 718. A summary of the Company's share option activity for options granted to employees and directors under the Plans is as follows:

	Year ended June 30, 2011			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	2,351,919	$ 3.73		
Options exercised	(99,943)	0.68		
Options forfeited	(51,360)	4.81		
Options outstanding at end of the period	2,200,616	$ 3.84	5.73	$ 1,244
Options exercisable at the end of the period	2,200,616	$ 3.84	5.73	$ 1,244
Options vested and expected to vest	2,200,616	$ 3.84	5.73	$ 1,244

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

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

Aggregate intrinsic value of options (the difference between the Company's closing stock price on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the employees and directors option holders had all option holders exercised their options on June 30, 2011. This amount changes based on the fair market value of the Company's common stock.

Compensation expenses related to options granted to employees and directors were recorded as follows:

	Year ended June 30,		Period from inception through June 30,
	2011	2010	2011
Research and development expenses	$ 2	$ 73	$ 2,582
General and administrative expenses	2	138	5,538
	$ 4	$ 211	$ 8,120

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

b. Options and warrants to non-employees:

A summary of the Company's activity related to options and warrants to consultants is as follows:

	Year ended June 30, 2011			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options and warrants outstanding at beginning of period	389,750	$ 3.97		
Options and warrants granted	82,000	$ 1.24		
Options and warrants exercised	(18,000)	$ 1.00		
Options and warrants forfeited	(28,750)	$ 2.75		
Options and warrants outstanding at end of the period	425,000	$ 3.65	4.99	$ 563
Options and warrants exercisable at the end of the period	374,252	$ 4.01	5.14	$ 466
Options and warrants vested and expected to vest	425,000	$ 3.65	4.99	$ 563

Compensation expenses related to options and warrants granted to consultants were recorded as follows:

	Year ended June 30,		Period from inception through June 30,
	2011	2010	2011
Research and development expenses	$ 32	$ 90	$ 1,638
General and administrative expenses	73	71	874
	$ 105	$ 161	$ 2,512

Future expenses related to options and warrants granted to consultants for an average time of two years is $61.

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

c. Restricted stock and restricted stock units to employees and directors:

On August 12, 2010, the Company's Compensation Committee approved a grant of total 270,000 restricted shares to two of the Company's officers as a bonus. The Company estimated at the grant date that the terms of the grant are probable. The shares became fully vested upon meeting a certain milestone.

On October 28, 2010, the Company's Audit Committee approved a grant of a total of 1,453,000 restricted stock units to the Company's employees and directors.

On May 18, 2011, the Company's Audit Committee approved a grant of a total of 812,020 restricted stock units to the Company's employees and directors.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to employees and directors for the year ended June 30, 2011:

	Number
Unvested at the beginning of period	1,356,665
Granted	2,535,020
Forfeited	(62,203)
Vested	(1,690,527)
Unvested at the end of the period	2,138,955
Expected to vest after June 30, 2011	2,091,695

Compensation expenses related to restricted stock and restricted stock units granted to employees and directors were recorded as follows:

	Year ended June 30,		Period from inception through June 30,
	2011	2010	2011
Research and development expenses	$ 1,027	$ 582	$ 1,859
General and administrative expenses	1,717	775	2,884
	$ 2,744	$ 1,357	$ 4,743

Future expenses related to restricted stock and restricted stock units granted to employees and directors for an average time of two years is $2,762.

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

d. Restricted stock and restricted stock units to consultants:

During the year ended June 30, 2011, the Company granted to several consultants and service providers restricted stock and restricted stock units.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to consultants for the year ended June 30, 2011:

	Number
Unvested at the beginning of period	73,261
Granted	282,106
Vested	(205,369)
Unvested at the end of the period	149,998
Expected to vest after June 30, 2011	149,998

Compensation expenses related to restricted stock and restricted stock units granted to consultants were recorded as follows:

	Year ended June 30,		Period from inception through June 30,
	2011	2010	2011
Research and development expenses	$ 294	$ 40	$ 386
General and administrative expenses	178	50	228
	$ 472	$ 90	$ 614

Future expenses related to restricted stock and restricted stock units granted to consultants for an average time of two years is $201.

U.S. Dollars in thousands (except per share amounts)

NOTE 7: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

cc. Summary of warrants and options:

A summary of all the warrants and options outstanding as of June 30, 2011 is presented in this table:

Warrants / Options	Exercise Price per Share	Options and Warrants for Common Stock	Options and Warrants Exercisable	Weighted Average Remaining Contractual Terms (in years)
Warrants:	$ 1.00	2,059,972	2,059,972	2.42
	$ 1.12	114,794	114,794	0.82
	$ 1.20	12,500	12,500	1.30
	$ 1.25 - $ 1.28	774,642	774,642	1.49
	$ 1.40 - $ 1.50	1,806,707	1,806,707	3.33
	$ 1.60	181,221	181,221	3.78
	$ 1.80 - $ 1.96	3,987,545	3,987,545	2.98
	$ 2.50	81,298	81,298	0.96
	$ 4.20	5,060,000	-	5.09
	$ 5.00	2,394,585	2,394,585	0.99
Total warrants		**16,473,264**	**11,413,264**	
Options:	$ 0.00	98,000	82,252	8.27
	$ 0.62	494,612	494,612	7.19
	$ 1.04 - $ 1.45	145,006	110,006	4.12
	$ 2.97	20,000	20,000	6.86
	$ 3.50	991,794	991,794	5.12
	$ 3.72 - $ 3.80	32,924	32,924	5.22
	$ 4.00	42,500	42,500	5.30
	$ 4.38 - $ 4.40	474,360	474,360	5.72
	$ 6.80	36,250	36,250	6.37
	$ 8.20	46,670	46,670	4.54
	$ 20.00	142,500	142,500	4.98
Total options		**2,524,616**	**2,473,868**	
Total warrants and options		**18,997,880**	**13,887,132**	

This summary does not include 2,288,953 restricted stock units that are not vested as of June 30, 2011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 8:- FINANCIAL EXPENSES (INCOME), NET

	Year ended June 30,			Period from May 11, 2001 (Inception) through June 30,
	2011	2010	2009	2011
Foreign currency translation differences	$ (29)	$ (68)	$ 69	$ (137)
Interest on short-term bank credit and bank's expenses	13	13	5	77
Interest on long-term loan	-	2	3	8
Interest accrued on know-how licenses	-	-	-	69
Interest income on deposits	(236)	(18)	(14)	(404)
Deferred issuance expenses amortization	-	-	-	604
Discount amortization	-	-	-	105
Interest expenses of debenture	-	-	-	74
Change in fair value of warrants	-	-	-	(2,696)
Loss related to marketable securities	-	-	66	247
Interest expenses related to warrants issued to investors	-	-	-	651
Expenses (income) of derivatives	(14)	85	(51)	48
	$ (266)	$ 14	$ 78	$ (1,354)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 9:-TAXES ON INCOME

A. Tax laws applicable to the companies:

1. Pluristem Therapeutics Inc. is taxed under U.S. tax laws.

2. The Subsidiary is taxed under the Israeli income Tax Ordinance and was taxed also under the Income Tax (Inflationary Adjustments) Law, 1985 (the "law").

Results of the Subsidiary for tax purposes were measured and reflected in real terms in accordance with the changes in the CPI. As explained in Note 2, the financial statements are presented in U.S. dollars. The difference between the rate of change in Israeli CPI and the rate of change in the NIS/U.S. dollar exchange rate causes a difference between taxable income or loss and the income or loss before taxes reflected in the financial statements. In accordance with ASC 740, the Company has not provided deferred income taxes on this difference between the reporting currency and the tax bases of assets and liabilities.

On February 26, 2008, the Israeli Parliament (the Knesset) enacted the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Restriction of Effective Period), 2008, which the Company refers to as the Inflationary Adjustments Amendment. In accordance with the Inflationary Adjustments Amendment, the effective period of the Inflationary Adjustments Law will cease at the end of the 2007 tax year and as of the 2008 tax year the provisions of the law shall no longer apply, other than the transitional provisions intended at preventing distortions in the tax calculations. In accordance with the Inflationary Adjustments Amendment, commencing the 2008 tax year, income for tax purposes will no longer be adjusted to a real (net of inflation) measurement basis. Furthermore, the depreciation of inflation immune assets and carried forward tax losses will no longer be linked to the Israeli consumer price index.

B. Tax assessments:

The subsidiary, has not received final tax assessments since its incorporation, however, the assessments of the subsidiary are deemed final through 2006.

C. Tax rates applicable to the Company:

1. Pluristem Therapeutics Inc.:

The tax rates applicable to Pluristem Therapeutics Inc. whose place of incorporation is Nevada are corporate (progressive) tax at the rate of up to 35%, excluding state tax and local tax if any, which rates depend on the state and city in which the Company will conduct its business.

2. The Subsidiary –

On July 2009, the Knesset passed The Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among others, an additional gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting 2011 to the following tax rates: 2011 - 24%, 2012 – 23%, 2013 – 22%, 2014 – 21%, 2015 – 20%, 2016 – 18% and thereafter.

The above amendment did not have an effect on the Subsidiary's financial position and results of operations.

Israeli companies are generally subject to capital gains tax at the rate of the Israeli corporate tax (2011-24%).

NOTE 9:- TAXES ON INCOME (CONT.)

C. Tax rates applicable to the Company (Cont.):

2. The Subsidiary (cont.) –

Tax Benefits Under the Law for the Encouragement of Capital Investments, 1959 (the "Encouragement Law")

On July 7, 2010, the Subsidiary has received a Pre-Ruling (the "Ruling") from the Israeli Tax Authority. According to the Ruling, the Subsidiary has been granted the status of "Benefited Enterprise" according to the Amendment to the Encouragement Law (the "Program"). The subsidiary chose the year 2007 as the election year of the Program, and chose to benefit from "alternative benefits track". Accordingly, the Subsidiary is entitled to tax benefits for a period of seven consecutive years, starting in the year in which the Subsidiary first generates taxable income. The Subsidiary which is located at National Priority Zone "B", entitled to an exemption from corporate tax in the first six years and to a reduced tax rate of 25% during the remaining benefited period (one year).

The beginning of the benefit period is determined as from the year in which the Benefited Company first generates taxable income, subject to limitation of 12 years from the election year.

Dividend distributed from retained tax-exempt profits will be subject to corporate and withholding taxes in Israel. If the retained tax-exempt profits are distributed, such retained profit distribution will be subject to corporate tax at a reduced tax rate of 25%, and to withholding tax rate of 15%.

The entitlement to the above benefits is conditional upon the Subsidiary's fulfilling the conditions stipulated by the Encouragement Law, the regulations published there under and by the Ruling.

D. Carryforward losses for tax purposes

As of June 30, 2011, Pluristem Therapeutics Inc. had U.S. federal net operating loss carryforward for income tax purposes in the amount of approximately $13,571. Net operating loss carryforward arising in taxable years beginning after August 6, 1997 can be carried forward and offset against taxable income for 20 years and expiring between 2022 and 2028.

Utilization of U.S. net operating losses may be subject to substantial annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

The Subsidiary in Israel has accumulated losses for tax purposes as of June 30, 2011, in the amount of approximately $18,996, which may be carried forward and offset against taxable business income and business capital gain in the future for an indefinite period.

U.S. Dollars in thousands (except per share amounts)

NOTE 9:- TAXES ON INCOME (CONT.)

Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	June 30,	
	2011	2010
Deferred tax assets:		
U.S. net operating loss carryforward	$ 4,750	$ 3,656
Israeli net operating loss carryforward	4,559	3,201
Allowances and reserves	96	54
Total deferred tax assets before valuation allowance	9,405	6,911
Valuation allowance	(9,405)	(6,911)
Net deferred tax asset	$ -	$ -

As of June 30, 2010 and June 30, 2011, the Company has provided valuation allowances in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences, since they have a history of operating losses and current uncertainty concerning its ability to realize these deferred tax assets in the future. Management currently believes that it is more likely than not that the deferred tax regarding the loss carryforward and other temporary differences will not be realized in the foreseeable future.

Reconciliation of the theoretical tax expense (benefit) to the actual tax expense (benefit):

In 2009, 2010 and 2011, the main reconciling item of the statutory tax rate of the Company (26% to 35% in 2009, 25% to 35% in 2010 and 24% to 35% in 2011) to the effective tax rate (0%) is tax loss carryforwards and other deferred tax assets for which a full valuation allowance was provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands (except per share amounts)

NOTE 10:-SUBSEQUENT EVENTS

a. On June 20, 2011 the Company entered into an exclusive out-license agreement with United Therapeutics Corporation for the use of the Company's Placental expanded cells to develop and commercialize a cell-based product for the treatment of Pulmonary Hypertension.

Under the terms of the agreement, United Therapeutics Corporation will make an upfront payment of $7,000 to the Company. The Company is eligible to receive regulatory milestone payments and other payments accumulating together with the upfront payment to a total of approximately $55,000 and reimbursement of costs of its development and clinical activities.

Following commercialization, United Therapeutics Corporation shall purchase commercial supplies from the Company at a specified margin over Company cost. In addition United Therapeutics Corporation will pay to the Company specified royalties as a percentage from its gross profits generated from the developed product.

The agreement requires the Company to request the consent of the Office of Chief Scientist in Israel before the closing of the agreement. On August 2, 2011, the agreement became effective following the consent of the Office of the Chief Scientist of Israel.

b. In July 2011 the Company has entered into an agreement with MTM – Scientific Industries Center Haifa Ltd., for the leasing and construction of a new state-of-the-art GMP manufacturing facility. The new facility will be located near the Company’s headquarters and existing facilities in MATAM Park, Haifa, Israel. According to the agreement, the lease of the new facility is expected to commence in January 2012 for a period of approximately 5 years with an option to extend the lease for an additional 5 years period.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision of the Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively), regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of June 30, 2011. Based on the aforementioned evaluation, management has concluded that our disclosure controls and procedures were effective as of June 30, 2011.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting at June 30, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on that assessment under those criteria, management has determined that, at June 30, 2011, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the exemption provided to issuers that are not "large accelerated filers" nor "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of fiscal year 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

As of June 30, 2011, our directors and executive officers, their ages, positions held, and duration of such, are as follows:

Name	Position Held With Company	Age	Date First Elected or Appointed
Zami Aberman	Chief Executive Officer, President, Director and Chairman of the Board of Directors	57	September 26, 2005 November 21, 2005 April 3, 2006
Yaky Yanay	Chief Financial Officer, Secretary	40	November 1, 2006
Nachum Rosman	Director	64	October 9, 2007
Doron Shorrer	Director	58	October 2, 2003
Hava Meretzki	Director	42	October 2, 2003
Isaac Braun	Director	58	July 6, 2005
Israel Ben-Yoram	Director	50	January 26, 2005
Mark Germain	Director	61	May 17, 2007
Shai Pines	Director	57	December 8, 2008

Business Experience

The following is a brief account of the education and business experience of each director and executive officer during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which they were employed.

Zami Aberman

Mr. Aberman became our Chief Executive Officer and President in September 2005 and a director of the Company in November 2005. Mr. Aberman has served as our Chairman of the Board since April 2006, and between May 2007 and February 2009 he was Co-Chairman with Mr. Mark Germain. He has 25 years of experience in marketing and management in the high technology industry. Mr. Aberman has held positions of Chief Executive Officer and Chairman positions in companies in Israel, the United States, Europe, Japan and Korea. Mr. Aberman operated within high-tech global companies in the fields of automatic optical inspection, network security, video over IP, software, chip design and robotics. He has serves as the chairman of Rose Hitech Ltd., a private investment company. He has served in the past as the chairman of VLScom Ltd., a private company specializing in video compression for HDTV and video over IP and as a director of Ori Software Ltd., a company involved in data management. Prior to that, Mr. Aberman served as the President and CEO of Elbit Vision System Ltd. (EVSNF.OB), a company engaged in automatic optical inspection. Prior to his service with the Company, Mr. Aberman has served as President and CEO of Netect Ltd., specializing in the field of internet security software and was the Co-Founder, President and CEO of Associative Computing Ltd., which developed an associative parallel processor for real-time video processing. He has also served as Chairman of Display Inspection Systems Inc., specializing in laser based inspection machines and as President and CEO of Robomatix Technologies Ltd. In 1992, Mr. Aberman was awarded the Rothschild Prize for excellence in his field from the President of the State of Israel. Mr. Aberman holds a B.Sc. in Mechanical Engineering from Ben Gurion University in Israel.

We believe that Mr. Aberman's qualifications to sit on our Board of Directors include his years of experience in the financial markets in Israel and globally, as well as his experience in serving as the CEO of publicly traded entities.

Yaky Yanay

Mr. Yanay was appointed as our Chief Financial Officer and Secretary in November, 2006.

Prior to joining us, Mr. Yanay was the Chief Financial Officer of Elbit Vision Systems Ltd., a public company traded over the OTC Bulletin Board. Prior to that Mr. Yanay served as manager of audit groups of the technology sector at Ernst & Young Israel, implementing audits in accordance with U.S. GAAP. Mr. Yanay serves as a director of Elbit Vision System Ltd. He holds a bachelor's degree with honors in business administration and accounting and is a Certified Public Accountant in Israel.

Nachum Rosman

Mr. Rosman became a director of the Company in October 2007. In 1999, Mr. Rosman founded Talecity Ltd., a movie production company, and has since been serving as its Chief Financial Officer. In addition he provides management and consulting services to startup companies in the financial, organizational and human resource aspects of their operations. Mr. Rosman also serves as a director at several privately held companies. Throughout his career, Mr. Rosman held Chief Executive Officer and Chief Financial Officer positions in Israel, the United States and England. In these positions he was responsible, among other things, for finance management, fund raising, acquisitions and technology sales. Mr. Rosman holds a B.Sc. in Management Engineering and an M.Sc. in Operations Research from the Technion, Haifa, Israel. Mr. Rosman also participated in a Ph.D. program in Investments and Financing at the Tel Aviv University, Israel.

We believe that Mr. Rosman's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, as well as his knowledge and familiarity with corporate finance.

Doron Shorrer

Mr. Shorrer became a director of the Company in October, 2003. Mr. Shorrer also serves as a director of other companies: AIG Israel Insurance Company Ltd., Omer Insurance Mutual Fund, Provident Fund for employees of the Israel Electric Company Ltd., and Massad Bank from the International Bank group - a company that is trading at the Tel-Aviv Stock Exchange. Between 1999 and 2004 he was Chairman of the Boards of Phoenix Insurance Company, one of the largest insurance companies in Israel, and of Mivtachim Pension Benefit Group, the largest pension fund in Israel. Prior to serving in these positions, Mr. Shorrer held senior positions that included Arbitrator at the Claims Resolution Tribunal for Dormant Accounts in Switzerland; Economic and Financial Advisor, Commissioner of Insurance and Capital Markets for the State of Israel; Member of the board of directors of "Nechasim" of the State of Israel; Member Committee for the Examination of Structural Changes in the Capital Market (The Brodet Committee); General Director of the Ministry of Transport; Co-Founder and director of an accounting firm with offices in Jerusalem, Tel-Aviv and Haifa; Member of the Lecture Staff of the Amal School Chain; Chairman of a Public Committee for Telecommunications; and Economic Consultant to the Ministry of Energy. Among many areas of expertise, Mr. Shorrer formulates, implements and administers business planning in the private and institutional sector in addition to consulting on economic, accounting and taxation issues to a large audience ranging from private concerns to government ministries. Mr. Shorrer holds a B.A. in Economics and Accounting and an M.A. in Business Administration (specialization in finance and banking) from the Hebrew University of Jerusalem and is a Certified Public Accountant (ISR).

We believe that Mr Shorrer's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, his vast skill and expertise in accounting and economics, as well as his knowledge and familiarity with corporate finance.

Hava Meretzki

Ms. Meretzki became a director of the Company in October, 2003. Ms. Meretzki is an attorney and is a partner in the law firm of Meretzki - Tavor in Haifa, Israel. Ms. Meretzki specializes in civil, trade and labor law and is presently Vice-Chairman for the National Council of the Israel Bar Association. Ms. Meretzki is a member of the committee that nominates legal advisers for Israeli governmental companies. Ms. Meretzki received a Bachelors Degree in Law from the Hebrew University in 1991 and was admitted to the Israel Bar Association in 1993.

We believe that Ms. Meretzki's qualifications to sit on our Board of Directors include her years of experience with legal and corporate governance matters.

Isaac Braun

Mr. Braun became a director of the Company in July, 2005. Mr. Braun is a business veteran with entrepreneurial, industrial and manufacturing experience. He is a co-founder and has been a board member of several hi-tech start-ups in the areas of e-commerce, security, messaging, search engines and biotechnology. Mr. Braun is involved with advising private companies on raising capital and business development.

We believe that Mr. Braun's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, as well as his knowledge and familiarity with corporate finance.

Israel Ben-Yoram

Mr. Ben-Yoram became a director of the Company in January 2005. He has been a director and partner in the accounting firm of Mor, Ben-Yoram and Partners in Israel since 1985. In addition, since 1992, Mr. Ben-Yoram has been a shareholder and has served as the head director of Mor, Ben-Yoram Ltd., a private company in Israel in parallel to the operation of Mor, Ben-Yoram and Partners. This company provides management services, economic consulting services and other professional services to businesses. Furthermore, Mr. Ben-Yoram is the CEO of Eshed Dash Ltd. and Zonbit Ltd. During 2003-2004 Mr. Ben-Yoram served as a director of Brainstorm Cell Therapeutics Inc. (BCLI) and Smart Energy solutions, Inc. (SMGY), both of which were traded on the NASDAQ. Mr. Ben-Yoram received a B.A. in accounting from the University of Tel Aviv, an M.A. in Economics from the Hebrew University of Jerusalem, an LL.B. and an MBA from Tel Aviv University and an LL.M. from Bar Ilan University. In addition, Mr. Ben-Yoram is qualified in arbitration and in mediation.

We believe that Mr. Ben-Yoram's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, his experience serving as a director of NASDAQ companies, as well as his knowledge and familiarity with corporate finance and accounting.

Mark Germain

Mr. Germain became a director of the Company in May 2007. Between May 2007 and February 2009, Mr. Germain served as Co-Chairman of our Board. For more than five years, Mr. Germain has been a merchant banker serving primarily the biotech and life sciences industries. He has been involved as a founder, director, chairman of the board of, and/or investor in, over twenty companies in the biotech field, and assisted many of them in arranging corporate partnerships, acquiring technology, entering into mergers and acquisitions, and executing financings and going public transactions. He graduated from New York University School of Law in 1975, Order of the Coif, and was a partner in a New York law firm practicing corporate and securities law before leaving in 1986. Since then, and until he entered the biotech field in 1991, he served in senior executive capacities, including as president of a public company, which was sold in 1991. In addition to being a Director of the Company, Mr. Germain is a director of the following publicly traded companies: Stem Cell Innovations, Inc., ChromaDex, Inc., Omnimmune Corp. and Collexis Holdings, Inc. He is also a co-founder and director of a number of private companies in the biotechnology field.

We believe that Mr. Germain's qualifications to sit on our Board of Directors include his years of experience in the biotech industry, his experience serving as a director of public companies, as well as his knowledge and familiarity with corporate finance.

Shai Pines

Mr. Pines became a director of the Company in December 2008. Mr. Pines is a lawyer admitted to practice law in the State of Israel since 1981. He is a partner with, and heads the Commercial and International Transactions Department of, the Israeli law firm of Hamburger Evron & Co. From 2000 to 2009 Mr. Pines served as a member of the Supervisory Board of Globe Trade Centre SA (GTC), a Polish company, which is traded on the Warsaw Stock Exchange, and from 2000 to 2005 as a member of the Supervisory Board of GTC International BV, a Dutch private company. Mr. Pines is also a member of the Board of Governors of the Law Faculty of the Tel-Aviv University since 2006. Mr. Pines holds an MBA degree from Kellogg School of Management, Northwestern University, & the Leon Recanati Graduate School of Business Administration, Tel-Aviv University and an LL.B. degree from Tel-Aviv University.

We believe that Mr. Pines's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, his experience serving as a director of public companies, as well as his knowledge and familiarity with corporate finance.

There are no family relationships between any of the directors or officers named above.

Audit Committee and Audit Committee Financial Expert

The members of our Audit Committee are Doron Shorrer, Nachum Rosman and Israel Ben-Yoram. Doron Shorrer is the Chairman of the Audit Committee, and our Board of Directors has determined that Israel Ben-Yoram is an "Audit Committee financial expert" and that all members of the Audit Committee are "independent" as defined by the rules of the SEC and the NASDAQ rules and regulations. The Audit Committee operates under a charter that was approved by our Board on August 29, 2007. The charter is posted on our website at www.pluristem.com. The information on our website is not incorporated by reference into this Annual Report. The primary responsibilities of our Audit Committee include:

- Appointing, compensating and retaining our registered independent public accounting firm;
- Overseeing the work performed by any outside accounting firm;
- Assisting the Board in fulfilling its responsibilities by reviewing: (i) the financial reports provided by us to the SEC, our stockholders or to the general public, and (ii) our internal financial and accounting controls; and
- Recommending, establishing and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations.

Our Audit Committee held twelve meetings during fiscal 2011.

Compensation Committee

The members of our Compensation Committee are Doron Shorrer, Nachum Rosman and Israel Ben-Yoram. The Board has determined that all of the members of the Compensation Committee are "independent" as defined by the rules of the SEC and NASDAQ rules and regulations. The Compensation Committee operates under a written charter that was approved by our Board on August 29, 2007. The charter is posted on our website at www.pluristem.com. The primary responsibilities of our Compensation Committee include:

- Reviewing, negotiating and approving, or recommending for approval by our Board of the salaries and incentive compensation of our executive officers;
- Administering our equity based plans and making recommendations to our Board with respect to our incentive–compensation plans and equity–based plans; and
- Periodically reviewing and making recommendations to our Board with respect to director compensation.

Our Compensation Committee held three meetings during fiscal 2011.

Nominating/Corporate Governance; Director Candidates.

The Company does not have a Nominating Committee or Corporate Governance Committee or any committees of a similar nature, nor any charter governing the nomination process. Our Board does not believe that such committees are needed for a company our size. However, our independent directors will consider stockholder suggestions for additions to our Board.

Code of Ethics

Effective March 7, 2011, our Board of Directors adopted an amended and restated Code of Business Conduct and Ethics that applies to, among other persons, members of our Board of Directors, our officers including our Chief Executive Officer (being our principal executive officer) and our Chief Financial Officer (being our principal financial and accounting officer) and our employees.

Our Code of Business Conduct and Ethics is filed with the SEC as an exhibit to this annual report on Form 10-K. We will provide a copy of the Code of Business Conduct and Ethics to any person without charge, upon request. Requests can be sent to: Pluristem Therapeutics Inc., MATAM Advanced Technology Park, Building No. 20, Haifa 31905, Israel.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the SEC and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended June 30, 2011, all filing requirements applicable to our officers, directors and ten percent beneficial owners were complied with.

Item 11. Executive Compensation.

The following table shows the particulars of compensation paid to our chief executive officer and chief financial officer, for the years ended June 30, 2011 and 2010. We do not currently have any other executive officers, nor did we during the years ended June 30, 2011 and 2010.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($) (1)	Stock-based Awards ($)(2)	Non-Equity Incentive Plan Compensa-tion ($)	All Other Compensa-tion ($)	Total ($)
Zami Aberman Chief Executive Officer	2011	383,081 (3)	900,900	0	0	1,283,981
	2010	331,917 (3)	227,068	0	0	558,985
Yaky Yanay Chief Financial Officer	2011	200,760	629,400	0	27,398 (4)	857,558
	2010	159,820	107,362	0	19,385 (4)	286,567

(1) Salary payments which were in New Israeli Shekel, or NIS, were translated into US$ at the then current exchange rate for each payment.

(2) The fair value recognized for the stock-based awards was determined as of the grant date in accordance with FASB ASC Topic 718. Assumptions used in the calculations for these amounts are included in Note 2(i) to our consolidated financial statements for fiscal 2011 included elsewhere in this Annual Report on Form 10-K.

(3) Includes $18,638 and $11,960 paid to Mr. Aberman as compensation for services as a director in 2011 and 2010, respectively.

(4) Represents cost to us in connection with the car made available to Mr. Yanay. The company also pays the tax associated with this benefit which is part of the amount in the Salary column in the table above.

We have the following written agreements and other arrangements concerning compensation with our executive officers:

(a) Mr. Aberman is engaged with us as a consultant and receives consulting fee. As of May 11, 2011, Mr. Aberman's monthly consulting fee was increased from $25,000 to $31,250. In addition, Mr. Aberman is entitled once a year to receive an additional amount that equals the monthly consulting fee. The U.S. dollar rate will be not less then 4.35 NIS per $. All amounts above are paid plus value added tax. Mr. Aberman is also entitled to one and a half percent (1.5%) from amounts received by us from non diluting funding and strategic deals.

During May 2009 until April 2010, Mr. Aberman participated in a voluntary reduction of 15% of his consulting fee, in exchange for 35,500 shares of our common stock, and during May 2010 until April 2011, Mr. Aberman participated in an additional voluntary reduction of 15% of his consulting fee. In exchange for such voluntary reduction in his consulting fee and waiving his rights to receive 25 accrued vacation days, he received 78,267 shares of our common stock.

(b) As of May 11, 2011 Mr. Yanay's monthly salary was increased from 42,500 NIS to 53,125 NIS. In addition, Mr. Yanay is entitled once a year to receive an additional amount that equals his monthly salary. Mr. Yanay is provided with a cellular phone and a company car pursuant to the terms of his agreement. Furthermore, Mr. Yanay is entitled to a bonus of 1.0% from amounts received by us from non diluting funding and strategic deals.

During May 2009 until April 2010, Mr. Yanay participated in a voluntary reduction of 15% of his monthly salary and a full reduction of his annual additional amount that equals his monthly salary, in exchange for 21,300 shares of common stock. Since May 2010 until April 2011, Mr. Yanay participated in an additional voluntary reduction of 15% of his salary. In exchange for the salary reduction and waiving his rights to receive 20 accrued vacation days, he received 35,243 shares of our common stock.

We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control, except for the following: (i) in the event of termination of Mr. Aberman's Consulting Agreement, he will be entitled to receive an adjustment fee that equals the monthly consulting fees multiplied by 3 plus the number of years the Consulting Agreement is in force from the second year, but in any event no more than nine years in the aggregate; and (ii) Mr. Yanay may be entitled, under Israeli law and practice, to a severance payment that equals a month's salary for each twelve-month period of employment with the company.

In addition, Mr. Aberman and Mr. Yanay are entitled to acceleration of the vesting of their stock options and restricted stock in the following circumstances: (1) if we terminate their employment, they will be entitled to acceleration of 100% of any unvested options and restricted stock and (2) if they resign, they will be entitled to acceleration of 50% of any unvested options and restricted stock.

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options or restricted shares at the discretion of our Board in the future.

Outstanding Equity Awards at the End of Fiscal 2011

The following table presents the outstanding equity awards held as of June 30, 2011 by our executive officers:

	Number of Securities Underlying Unexercised					
	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price($)	Option expiration date	Number of shares that have not vested (#)	Market value of shares that have not vested ($)
Zami Aberman	22,500	-	4.40	1/16/2016	-	-
	30,000	-	4.00	10/30/2016	-	-
	250,000	-	3.50	1/23/2017	-	-
	105,000	-	4.38	12/25/2017	-	-
	110,000	-	0.62	10/30/2018	-	-
	-	-	-	-	34,998 (1)	$101,494
	-	-	-	-	120,000 (3)	$384,000
	-	-	-	-	150,000 (5)	$435,500
Yaky Yanay*	62,500	-	4.38	12/25/2017	-	-
	12,500	-	4.00	9/17/2016	-	-
	50,000	-	3.50	1/23/2017	-	-
	55,000	-	0.62	10/30/2018	-	-
	-	-	-	-	17,496 (2)	$50,738
	-	-	-	-	60,000 (4)	$174,000
	-	-	-	-	150,000 (6)	$435,000

*The above securities do not include warrants received from participation in equity investments.

(1) 34,998 restricted shares vest in six installments of 5,833 shares on each of July 22, 2011, August 22, 2011, September 22, 2011, October 22, 2011, November 22, 2011, December 22, 2011.

(2) 17,496 restricted shares vest in six installments of 2,916 shares on each of July 22, 2011, August 22, 2011, September 22, 2011, October 22, 2011, November 22, 2011, December 22, 2011.

(3) 120,000 restricted shares vest in six installments of 20,000 shares on each of July 28, 2011, October 28, 2011, January 28, 2012, April 28, 2012, July 28, 2012 and October 28, 2012.

(4) 60,000 restricted shares vest in six installments of 10,000 shares on each of July 28, 2011, October 28, 2011, January 28, 2012, April 28, 2012, July 28, 2012 and October 28, 2012.

(5) 150,000 restricted shares vest in one installment of 37,500 shares on November 18, 2011, and six installments of 18,750 shares on each of February 18, 2012, May 18, 2012, August 18, 2012, November 18, 2012, February 18, 2013 and May 18, 2013.

(6) 150,000 restricted shares vest in one installment of 37,500 shares on November 18, 2011, and six installments of 18,750 shares on each of February 18, 2012, May 18, 2012, August 18, 2012, November 18, 2012, February 18, 2013 and May 18, 2013.

Aggregated Option/Exercises in Last Fiscal Year

During the fiscal year ended June 30, 2011, no stock options were exercised by our executive officers.

Long-Term Incentive Plans-Awards in Last Fiscal Year

We have no long-term incentive plans, other than the stock option plans described below under Item 12.

Compensation of Directors

The following table provides information regarding compensation earned by, awarded or paid to each person for serving as a director who is not an executive officer during Fiscal 2011:

Name	Fees Earned or Paid in Cash ($)	Stock-based Awards ($) (1)	Total ($)
Mark Germain	11,527	184,894	196,421
Nachum Rosman	27,856	248,494	276,350
Doron Shorrer	28,446	248,494	276,940
Hava Meretzki	16,983	184,894	201,877
Isaac Braun	18,362	184,894	203,256
Israel Ben-Yoram	27,240	248,494	275,734
Shai Pines	20,478	184,894	205,372

(1) The fair value recognized for the stock-based awards was determined as of the grant date in accordance with FASB ASC Topic 718. Assumptions used in the calculations for these amounts are included in Note 2(i) to our consolidated financial statements for fiscal 2011 included elsewhere in this Annual Report on Form 10-K.

We reimburse our directors for expenses incurred in connection with attending board meetings and provide the following compensation for directors: annual compensation of $10,000; meeting participation fees of $750 per in-person meeting; and for meeting participation by telephone, $350 per meeting. On May 11, 2011, the Board raised the annual director fee to $12,500; meeting participation fees of $935 per in-person meeting; and for meeting participation by telephone, $435 per meeting. On May 17, 2007, the Board decided that the dollar rate would be not less then 4.25 NIS per dollar. Starting November 2008, the directors participated in a voluntary reduction of 25% on their annual fee in exchange for issuance of shares of our common stock. On April 30, 2011, the reduction on their annual fee in exchange for issuance of shares of our common stock ended. The directors are also entitled to two and a half percent (2.5%) from amounts received by us from non diluting funding and strategic deals.

On February 11, 2010 the compensation committee decided to change the meeting participation fees of Zami Aberman to a fixed compensation in the amount of total compensation received in the past 12 months ($4,100). On May 11, 2011, the Board raised the meeting participation fee of Zami Aberman to $5,110.

During fiscal 2011 we paid a total of $150,893 to directors as compensation. This amount does not include compensation to Mr. Aberman in his capacity as a director which is reflected in the Summary Compensation Table for Fiscal 2011 above. As of June 30, 2011, the directors (not including the chairman) held 2,074,353 options, restricted shares and restricted share units of which 1,413,097 were exercisable or vested, as the case may be.

The vesting of directors' stock options and restricted stock accelerates in the following circumstances: (1) termination of a director's position by the stockholders will result in the acceleration of 100% of any unvested options and restricted stock and (2) termination of a director's position by resignation will result in the acceleration of 50% of any unvested options and restricted stock.

Other than as described in the preceding two paragraphs, we have no present formal plan for compensating our directors for their service in their capacity as directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board. The Board may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director. Other than indicated in this statement, no director received and/or accrued any compensation for his or her services as a director, including committee participation and/or special assignments during fiscal 2011.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

The following table sets forth certain information, to the best knowledge and belief of the Company, as of September 1, 2011 (unless provided herein otherwise), with respect to holdings of our common stock by (1) each person known by us to be the beneficial owner of more than 5% of the total number of shares of our common stock outstanding as of such date; (2) each of our directors; (3) each of our executive officers; and (4) all of our directors and our executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Number of Shares[1]	Percentage
Directors and Named Executive Officers		
Zami Aberman Chief Executive Officer, Chairman of the Board, President and Director	1,274,985[2]	2.9%
Shai Pines Director	93,932	*
Hava Meretzki Director	194,624[3]	*
Doron Shorrer Director	236,188[4]	*
Israel Ben-Yoram Director	216,208[5]	*
Isaac Braun Director	193,355[6]	*
Nachum Rosman Director	183,182[7]	*
Mark Germain Director	438,932[8]	1.0%
Yaky Yanay Chief Financial Officer and Secretary	540,711[9]	1.3%
Directors and Executive Officers as a group (9 persons)	3,372,117[10]	7.6%
5% Shareholders		
Bangor Holdings Ltd.	4,064,286[11]	9.1%

_____
* = less than 1%

(1) Based on 42,924,219 shares of common stock issued and outstanding as of September 1, 2011. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants or right to purchase or through the conversion of a security currently exercisable or convertible, or exercisable or convertible within 60 days, are reflected in the table above and are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes options to acquire 517,500 shares.

(3) Includes options to acquire 95,192 shares.

(4) Includes options to acquire 116,756 shares.

(5) Includes options to acquire 94,276 shares.

(6) Includes options to acquire 93,923 shares.

(7) Includes options to acquire 63,750 shares.

(8) Includes options to acquire 307,500 shares.

(9) Includes 20,000 warrants and options to acquire 180,000 shares.

(10) Includes 20,000 warrants and options to acquire 1,468,897 shares.

(11) The information is based solely on a Schedule13G filed with the SEC on July 14, 2010. Schedule 13G provides that Mr. Uri Heller has shared voting and dispositive power with respect to such shares.

Equity Compensation Plan Information

On November 25, 2003, our Board of Directors adopted our 2003 Stock Option Plan. Under the 2003 Stock Option Plan, options may be granted to our officers, directors, employees and consultants or the officers, directors, employees and consultants of our subsidiary. Pursuant to the Plan, we reserved for issuance 20,500 shares of our common stock. As of June 30, 2011, there were 13,040 shares of our common stock still available for future grant under the plan.

On November 21, 2005, our Board of Directors adopted our 2005 Stock Option Plan. Under the 2005 Stock Option Plan, options may be granted to our officers, directors, employees and consultants or the officers, directors, employees and consultants of our subsidiary.

At our annual meeting of our stockholders held on January 21, 2009, our stockholders approved the adoption of the Amended and Restated 2005 Stock Option Plan of the Company, or the 2005 Plan, amending the 2005 Stock Option Plan in order to: (i) increase the number of shares of common stock authorized for issuance thereunder from 1,990,000 to be equal to 16% of the number of shares of common stock issued and outstanding on a fully diluted basis immediately prior to the grant of securities; (ii) allow the issuance of shares of common stock and units for such shares of common stock; and (iii) set the termination date of the 2005 Plan to be December 31, 2018.

The following table summarizes certain information regarding our equity compensation plans as of June 30, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by security holders (1)	2,517,156	$ 3.91	2,335,748
Equity compensation plan not approved by security holders (2)	108,460	$ 1.58	13,040
Total	2,625,616	$ 3.81	2,348,788

(1) Includes awards granted under the 2005 Plan.

(2) Includes awards granted under the 2003 Stock Option Plan and awards not granted under either the 2003 Stock Option Plan or the 2005 Plan.

Item 13. Certain Relationships and Related Transactions and Director Independence.

No director, executive officer, principal shareholder holding at least 5% of our common shares, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction, during the fiscal years ended June 30, 2010 and June 30, 2011, in which the amount involved in the transaction exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at the year end for the last two completed fiscal years.

Item 14. Principal Accounting Fees and Services

The fees for services provided by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, to the Company in the last two fiscal years were as follows:

	Twelve months ended on June 30, 2011	Twelve months ended on June 30, 2010
Audit Fees	$ 70,000	$ 70,000
Audit-Related Fees	None	None
Tax Fees	$ 16,164	$ 5,000
All Other Fees	$ 60,235	$ 8,879
Total Fees	$ 146,399	$ 83,879

Audit Fees. These fees were comprised of professional services rendered in connection with the audit of our consolidated financial statements for our annual report on Form 10-K, the review of our quarterly consolidated financial statements for our quarterly reports on Form 10-Q and providing assistance with review of other documents filed with the SEC.

Tax Fees. These fees relate to our tax compliance, tax planning and fees of relating to obtaining pre ruling with the Israeli Tax Authorities.

All Other Fees. These fees were comprised mainly of auditors consent on S-3 and S-8 and offering costs.

SEC rules require that before Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

1. Pre-approved by our audit committee; or
2. entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

The audit committee pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the audit committee before the services were rendered.

The audit committee has considered the nature and amount of fees billed by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, and believes that the provision of services for activities unrelated to the audit is compatible with maintaining Kost Forer Gabbay & Kasierer's independence.

PART IV

Item 15. Exhibits.

3.1	Composite Copy of the Company's Articles of Incorporation as amended on December 22, 2009 (incorporated by reference to Exhibit 3.1 of our quarterly report on Form 10-Q filed February 11, 2010).
3.2	Amended By-laws (incorporated by reference to Exhibit 3.1 of our current report on Form 8-K filed January 22, 2007).
4.1	Form of Common Stock Purchase Warrant dated October 18, 2010 (incorporated by reference to Exhibit 4.1 of our current report on Form 8-K filed on October 12, 2010).
4.2	Form of Warrant Agreement by and between Pluristem Therapeutics Inc. and American Stock Transfer & Trust Company, LLC (including the form of Warrant certificate) (incorporate by reference to Exhibit 4.2 of our quarterly report on Form 10-Q filed on February 9, 2011).
10.1	Consulting Agreement dated September 26, 2005 between Pluristem Ltd. and Rose High Tech Ltd. (incorporated by reference to Exhibit 10.25 of our quarterly report on Form 10-QSB filed February 9, 2006).+
10.2*	Summary of Lease Agreement dated January 22, 2003, by and between Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd., as supplemented on December 11, 2005, June 12, 2007 and July 19, 2011
10.3	Assignment Agreement dated May 15, 2007 between Pluristem Therapeutics Inc. and each of Technion Research and Development Foundation Ltd., Shai Meretzki, Dr. Shoshana Merchav (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed on May 24, 2007).
10.4	Assignment Agreement dated May 15, 2007 between Pluristem Therapeutics Inc. and Yeda Research and Development Ltd. in (incorporated by reference to Exhibit 10.2 of our current report on Form 8-K filed on May 24, 2007).
10.5* ^	Exclusive License Agreement dated June 19, 2011, between Pluristem Ltd. and United Therapeutics Corporation.
10.6	Form of Regulation D Securities Purchase Agreement for Common Stock and Warrants (incorporated by reference from Exhibit 10.1 of our current report on Form 8-K filed on October 12, 2010).
10.7	Form of Regulation S Securities Purchase Agreement for Common Stock and Warrants (incorporated by reference to Exhibit 10.2 of our current report on Form 8-K filed on October 12, 2010).
10.8*	Summary of Directors' Ongoing Compensation
10.9	2003 Stock Option Plan (incorporated by reference to Exhibit 4.1 of our registration statement on Form S-8 filed on December 29, 2003) (Registration no. 333-111591).
10.10	The Amended and Restated 2005 Stock Option Plan (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed on January 23, 2009).

10.11 Form of Stock Option Agreement under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.4 of our annual report on Form 10-K filed September 23, 2009). +

10.12 Form of Restricted Stock Agreement under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.16 of our annual report on Form 10-K filed September 23, 2009). +

10.13 Form of Restricted Stock Agreement (Israeli directors and officers) under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.17 of our annual report on Form 10-K filed September 23, 2009). +

14.1* Amended and Restated Code of Business Conduct and Ethics adopted by the Board of Directors.

21.1 List of Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 of our annual report on Form 10-K filed on September 29, 2008).

23.1* Consent of Kost Forer Gabbay & Kasierer, A member of Ernst & Young Global.

31.1* Certification pursuant to Rule 13a-14(a)/15d-14(a) of Zami Aberman.

31.2* Certification pursuant to Rule 13a-14(a)/15d-14(a) of Yaky Yanay.

32.1** Certification pursuant to 18 U.S.C. Section 1350 of Zami Aberman.

32.2** Certification pursuant to 18 U.S.C. Section 1350 of Yaky Yanay.

*Filed herewith.

** Furnished herewith

+ Management contract or compensation plan.

^ Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

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.

Pluristem Therapeutics Inc.

By: /s/ Zami Aberman
(Zami Aberman, Chief Executive Officer,
Principal Executive Officer)
Date: September 7, 2011

By: /s/ Yaky Yanay
Yaky Yanay, Chief Financial Officer
(Principal Financial and Accounting Officer)
Dated: September 7, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Zami Aberman
Zami Aberman, Chief Executive Officer
(Principal Executive Officer)
Chairman of the Board and Director
Dated: September 7, 2011

By: /s/ Yaky Yanay
Yaky Yanay, Chief Financial Officer
(Principal Financial and Accounting Officer)
Dated: September 7, 2011

By: /s/ Doron Shorrer
Doron Shorrer, Director
Dated: September 7, 2011

By: /s/ Hava Meretzki
Hava Meretzki, Director
Dated: September 7, 2011

By: /s/ Isaac Braun
Isaac Braun, Director
Dated: September 7, 2011

By: /s/ Israel Ben-Yoram
Israel Ben-Yoram, Director
Dated: September 7, 2011

By: /s/ Nachum Rosman
Nachum Rosman, Director
Dated: September 7, 2011

By: /s/ Mark Germain
Mark Germain, Director
Dated: September 7, 2011

By: /s/ Shai Pines
Shai Pines, Director
Dated: September 7, 2011

Exhibit 10.2

I. Summary of Lease Agreement Dated January 22, 2003

1. **Parties**: Pluristem Ltd. ("Pluristem") and MTM – Scientific Industries Center Haifa Ltd. ("MTM").

2. **Signing Date**: January 22, 2003.

3. **Lease Period**: January 1, 2003 until December 31, 2003 (the "Lease Period"). In addition, Pluristem has an option to extend the lease by two periods of 12 months each, subject to providing MTM with 5 months prior written notice (the "First Option Period" and the "Second Option Period", respectively).

4. **The Premises**: A certain area in Building 20 (approximately 640 square meters), MATAM Advanced Technology Park, Haifa, Israel.

5. **Lease Fees**: Lease fees are monthly, payable in the following amounts (linked to the Israeli Consumer Price Index as of November 2002):

   5.1. During the Lease Period, NIS43 per one square meter (plus applicable taxes).

   5.2. During the First Option Period, NIS47.25 per one square meter (plus applicable taxes).

   5.3. During the Second Option Period, NIS49.60 per one square meter (plus applicable taxes).

6. **Guarantees**: In order to secure its undertakings under this agreement, Pluristem shall provide MTM with a deposit in an amount equal to 3 month lease payments on account of the last 3 months of the Lease Period.

II. Summary of First Supplement to Lease Agreement Dated December 11, 2005

A first supplement dated December 11, 2005 (the "First Supplement") made to the existing lease agreement dated January 22, 2003 (the "Lease Agreement").

1. **Parties**: Pluristem Ltd. ("Pluristem") and MTM – Scientific Industries Center Haifa Ltd. ("MTM").

2. **Signing Date**: December 11, 2005.

3. **Lease Period**: January 1, 2006 until December 31, 2007 (the "Lease Period").

4. **Sprinklers Installation**: Pluristem shall pay the cost of sprinklers installation of up to NIS25,000.

Subject to the arrangements under the First Supplement, all the provisions, including lease payments, of the Lease Agreement shall apply to the First Supplement.

III. Summary of Second Supplement to Lease Agreement Dated June 12, 2007

A second supplement dated June 12, 2007 (the "Second Supplement") made to the existing lease agreement dated January 22, 2003, as supplemented on December 11, 2005 (the "Lease Agreement").

5. **Parties**: Pluristem Ltd. ("Pluristem") and MTM – Scientific Industries Center Haifa Ltd. ("MTM").

6. **Signing Date**: June 12, 2007.

7. **Lease Period**: July 1, 2007 until August 31, 2012 (the "Lease Period"). In addition, subject to providing MTM with 9 months prior written notice, Pluristem has the option to (i) shorten the lease period to a total of 36 months period, provided, that Pluristem shall pay MTM a termination fee in the amount of NIS 325,000; or (ii) extend the lease period by an additional 60 months period (the "Option Period").

8. **The Premises**: A certain area in Building 20, (approximately 1,280 square meters), MATAM Advanced Technology Park, Haifa, Israel.

   The premises will be transferred "as is", and Pluristem undertakes to alter and/or construct the internal area of the premises at its expense, provided, however, that MTM shall participate in such cost by up to NIS650,000.

9. **Lease Fees**: Lease fees are monthly, payable in the following amounts (linked to the November 2002 Israeli CPI):

   9.1. During the Lease Period, NIS49.60 per one square meter (plus applicable taxes) (the "Lease Fee").

   9.2. During the Option Period, the monthly lease fee shall be equal to the Lease Fee plus 5% (plus applicable taxes).

10. **Guarantees**: In order to secure its undertakings under the Second Supplement, Pluristem shall provide MTM with a bank guarantee in the amount of NIS250,000 (linked to the Israeli Consumer Price Index as of the execution date of the Second Supplement).

    Subject to the arrangements under the Second Supplement, all the provisions of the Lease Agreement shall apply to the Second Supplement.

IV. Summary of Supplement to Lease Agreement Dated July 19, 2011

A supplement dated July 19, 2011 (the "Supplement") made to the existing lease agreement dated January 22, 2003, as supplemented on December 11, 2005 and June 12, 2007 (the "Lease Agreement").

1. **Parties**: Pluristem Ltd. ("Pluristem") and MTM – Scientific Industries Center Haifa Ltd. ("MTM").

2. **Signing Date**: July 19, 2011.

3. **Lease Period**: January 15, 2012 until March 31, 2017 (the "Lease Period"). In addition, Pluristem has an option to extend the lease by two periods of 30 months each, subject to providing MTM with 6 months prior written notice (the "First Option Period" and the "Second Option Period", respectively). The premises to be leased during the Lease Period shall be as follows: (i) approximately 1,400 square meters as of January 15, 2012; (ii) approximately 600 square meters as of June 1, 2012; and (iii) approximately 600 square meters as of June 15, 2012.

4. **The Premises**: A certain area in Building 5, (approximately 2,600 square meters), MATAM Advanced Technology Park, Haifa, Israel.

   The premises will be transferred "as is", and Pluristem undertakes to alter and/or construct the internal area of the premises at its expense, provided, however, that MTM shall participate in such cost by up to NIS1,150 per one square meter, or a total of NIS2,990,000 per the 2,600 square meters of the premises.

5. **Lease Fees**: Lease fees are monthly, payable in the following amounts (linked to the linked to the June 2011 Israeli Consumer Price Index):

   5.1. During the Lease Period, NIS54 per one square meter (plus applicable taxes) (the "Lease Fee").

   5.2. During the First Option Period, the monthly lease fee shall be equal to the Lease Fee plus 3% (plus applicable taxes) (the "First Option Fee").

   5.3. During the Second Option Period, the monthly lease fee shall be equal to the First Option Fee plus 3% (plus applicable taxes).

6. **Guarantees**: In order to secure its undertakings under the Second Supplement, Pluristem shall provide MTM with a bank guarantee in an amount equal to 6 month lease payments (linked to the June 2011 Israeli Consumer Price Index).

   Subject to the arrangements under this supplement, all the provisions of the Lease Agreement shall apply to this supplement.

Exhibit 10.5

****CONFIDENTIAL PORTIONS HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION").****

UTC Pluristem Exclusive License Agreement

between

Pluristem Ltd.

and

United Therapeutics Corporation

Dated: June 19, 2011

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Exhibit 6.2: Commercial Supply Terms

Exhibit 6.8: Funded Technology

Exhibit 8.6: Wire Instructions

Exhibit 11.5: Press Release

UTC Pluristem Exclusive License Agreement

This Exclusive License Agreement (the "**Agreement**") is made and entered into as of June 19**,** 2011 (the "**Execution Date**") by and between Pluristem Ltd**.** an Israel corporation, having its principal place of business at MATAM Advanced Technology Park, Building No. 20, Haifa 31905 Israel ("**Pluristem**"), and United Therapeutics Corporation, a Delaware corporation, having its principal place of business at 1040 Spring Street, Silver Spring, MD, 20910, USA ("**UTC**"). Pluristem and UTC are referred to individually as a "**Party**" and collectively as the "**Parties**."

WHEREAS, Pluristem has developed and owns or controls certain proprietary technology, patents, patent applications, and know-how relating to Pluristem's proprietary PLX (PLacental eXpanded) cells, as well as expertise and know-how relating to the use and manufacture of the Product;

WHEREAS, Pluristem is developing and seeking regulatory approval for, and intends to manufacture and sell, the Product under a separate Pluristem brand name for various indications, and owns or otherwise controls certain related intellectual property rights;

WHEREAS, UTC has developed proprietary methods and know-how regarding the development, marketing, promotion, and commercialization of pharmaceutical products for the treatment of pulmonary hypertension;

WHEREAS, Pluristem wishes to grant to UTC, and UTC wishes to accept, certain rights to market, promote, and commercialize the Product under a separate UTC brand name solely for the Field; and

NOW, **THEREFORE**, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

Article 1 Definitions

1.1 Definitions

The following terms shall have the following meanings as used in this Agreement:

(a) "**AAA**" shall have the meaning set out in Section 14.2(f).

(b) "**Adverse Event**" shall mean any undesirable medical occurrence in a patient or clinical investigation subject administered a pharmaceutical product and which does not necessarily have to have a causal relationship with the treatment, including any variant of an "adverse drug experience" as those terms are defined at either 21 C.F.R. Section 312.32 or 21 C.F.R. Section 314.80 and the relevant non-FDA equivalents, whether arising in or outside of a clinical study.

(c) "**Affiliate**" shall mean (a) an entity that owns directly or indirectly a controlling interest in a Party, by stock ownership or otherwise, (b) any entity in which a Party owns a controlling interest, by stock ownership or otherwise, or (c) any entity under common control with a Party, directly or indirectly. Solely for purposes of the foregoing sentence, "controlling interest" and "control" shall mean the power, whether or not exercised, to direct the management and affairs of a Party, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise. The direct or indirect ownership of fifty percent (50%) or more of a Party's outstanding voting securities shall in any case be deemed to confer "control."

(d) "**Alliance Manager**" shall have the meaning set out in Section 3.5(a).

(e) "**Applicable Law**" shall mean all laws, statutes, ordinances, codes, rules, and regulations that have been enacted by a Regulatory Authority in any jurisdiction in the Territory and which are in force as of the Effective Date or come into force during the Term, in each case to the extent that the same are applicable to the performance by the Parties of their respective obligations under this Agreement, including, with respect to the United States, the Prescription Drug Marketing Act, the Federal Food, Drug and Cosmetics Act of 1938, as amended, the Health Insurance Portability and Accountability Act, the Federal Anti-Kickback Statute, and any applicable regulations relating to sampling practices.

(f) "**Arbitration Request**" shall have the meaning set out in Section 14.2(d).

(g) "**Business Day**" shall mean any day that is not a Saturday or a Sunday in the United States or a day on which the New York Stock Exchange is closed.

(h) "**Calendar Quarter**" shall mean each of the three (3) month periods ending on March 31, June 30, September 30, and December 31.

(i) "**Calendar Year**" shall mean each twelve (12) month period beginning on January 1 and ending on December 31.

(j) "**Change of Control**" shall mean (a) the acquisition of control of Pluristem Ltd. or Pluristem Therapeutics Inc. by a Third Party or (b) the sale or other disposition of all or substantially all of the assets of Pluristem Ltd. or Pluristem Therapeutics Inc. to a Third Party. The direct or indirect ownership of fifty percent (50%) or more of Pluristem's outstanding voting securities shall in any case be deemed to confer "control."

(k) "**Claims**" shall have the meaning set out in Section 12.1.

(l) **"CMC"** shall mean chemistry, manufacturing and controls.

(m) "**Commercialize"** (and, with correlative meanings, the terms "Commercializing" and "Commercialization") shall mean any and all activities relating to the commercialization of the Product, including the Promotion, Detailing, distribution, sale, offer for sale, and importation of the Product after Regulatory Approval of the Product, excluding any and all Manufacturing of the Product.

(n) "**Commercially Reasonable Efforts**" shall mean with respect to each Party, commercially reasonable efforts in accordance with the business, legal, medical and scientific judgment of a similarly situated company, and in accordance with the efforts and resources a similarly situated company would use for a product owned by it or to which it has rights, which is of similar market potential, at a similar stage in its product life, taking into account the competitiveness of the marketplace, the proprietary position of the product, the regulatory structure involved, the profitability of the product and other relevant factors.

(o) "**Competing Product**" shall mean any product, other than the Product, comprising of PLX and/or any mesenchymal or mesenchymal-like cells.

(p) **"Confidential Information**" of a Party shall mean all Information disclosed by such Party to the other Party during and/or prior to the Term, including any and all Information exchanged between the Parties under the Manufacturing and Supply Agreement or the Confidentiality Agreement.

(q) "**Confidentiality Agreement"** shall mean the Confidentiality Agreement between the Parties effective April 8, 2011.

(r) **"Control"** shall mean, with respect to any information or intellectual property right, possession by a Party of the ability (whether by ownership, license, or otherwise) to grant access, a license, or a sublicense to such information or intellectual property right without violating the terms of any agreement or other arrangement with any Third Party as of the time such Party would first be required hereunder to grant the other Party such access, license or sublicense.

(s) "**Corporate Marks**" shall mean, with respect to each of the Parties, the corporate name of such Party or those of Affiliates of such Party, and its and their trade names, trademarks, service marks, domain names, and associated logos and designs.

(t) "**Cost of Goods Sold**" shall mean, unless otherwise agreed between the Parties:

(i) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

(ii) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

all the foregoing as calculated in accordance with GAAP for by the Manufacturing Party.

(u) "**Cover**" shall mean, in respect of any Product, that a Valid Claim encompasses a particular process, machine, article of manufacture or composition of matter respecting the Product such that any making, using, offering to sell, selling, supplying, importing or exporting of the Product would constitute an infringement of the patent claim.

(v) "**Detail**" or "**Detailing**" shall mean, with respect to Promotion of the Product in the Field, the activity undertaken by a UTC Sales Representative with respect to a target physician or other individuals or entities with prescribing authority involved or potentially involved in prescribing the Product in the Field, to provide information about the benefits and features of the Product in the Field in an effort to increase the number of physicians or other individuals or entities with prescribing authority prescribing the Product in the Field, and/or the number of prescriptions for the Product in the Field.

(w) "**Development**" (and, with correlative meanings, the terms "Develop" and "Developing") shall mean the non-clinical development, clinical development, and regulatory activities with respect to seeking Regulatory Approval of the Product for any indication, and post-approval studies, including label extensions in support of the Product in the Field and any studies required by a Regulatory Authority, and excluding any and all Manufacturing of the Product. For the avoidance of doubt, Development shall not include PLX Development.

(x) "**Disclosing Party**" shall have the meaning set out in Section 11.1.

(y) "**Dollar**" or "**$**" shall mean the legal tender of the United States of America.

(z) "**Domain**" shall mean, with respect to UTC, Products for any indication or use in the Field and, with respect to Pluristem, Products for any indication or use outside the Field.

(aa) "**Effective Date**" shall have the meaning set out in Section 15.2.

(bb) "**Failure to Supply**" shall mean the occurrence of one of the following events and the giving of notice by UTC to Pluristem of the occurrence thereof:

(i) Pluristem has elected by a written notice to discontinue supplying Product to UTC without the prior written approval of UTC;

(ii) with respect to Development activities, the failure by or on behalf of Pluristem to supply on a timely basis of at least **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** of the quantity of Product ordered by or on behalf of UTC or its Representatives (acting reasonably or in accordance with the Manufacturing and Supply Agreement, if such agreement is in effect) in accordance with Section 6.1 provided that such failure was not remedied within **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** days of the date on which such supply was due thereunder and provided further that such failure occurred more than **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** during the Term;

(iii) with respect to Commercialization activities, the failure by or on behalf of Pluristem to supply on a timely basis of at least **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** of the quantity of Product ordered by or on behalf of UTC or its Representatives in accordance with the Manufacturing and Supply Agreement, provided that such failure was not remedied within **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** days of the date on which such supply was due thereunder (without such period being extended by any cure period in the Manufacturing and Supply Agreement) and provided further that such failure occurred more than **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** during the Term;

(iv) Pluristem has terminated the Manufacturing and Supply Agreement other than as a result of a breach by UTC of the Manufacturing and Supply Agreement or the insolvency of UTC; or

(v) termination of the Manufacturing and Supply Agreement by UTC due to material breach by Pluristem that is jeopardizing the supply of Product or insolvency of Pluristem;

provided however that, upon the occurrence of any one of the foregoing events, if Pluristem facilitates the procurement of Product for UTC from a Third Party Manufacturer acceptable to UTC, acting reasonably, under substantially similar terms as supplied pursuant hereto, including, if then in effect, the Manufacturing and Supply Agreement, so that the uninterrupted supply of Product is otherwise as contemplated by this Agreement (without the occurrence of such Failure to Supply), then the occurrence of such event shall not be a Failure of Supply.

(cc) "**FDA**" shall mean the United States Food and Drug Administration, or any successor organization.

(dd) "**Field**" shall mean the treatment, amelioration, and prevention of any kind or nature and by any route of administration of pulmonary hypertension including all WHO classifications of pulmonary hypertension in the Venice 2003 Revised Classification system.

(ee) "**GAAP**" shall mean generally accepted accounting principles in the United States, consistently applied.

(ff) "**GMP**" shall mean the current Good Manufacturing Practices of the FDA and other Regulatory Authorities, as applicable, as then in effect.

(gg) "**Gross Profits**" shall mean the amount billed for sales of the Product by UTC, its Affiliates and any sublicensees to Third Parties (excluding such sublicensees), less:

(i) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(ii) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(iii) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(iv) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(v) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**; and

(vi) taxes or other governmental charges levied on or measured by the billing amount whether absorbed by the billing or billed party.

Such amounts shall be determined from the books and records of Pluristem and UTC and its Representatives, respectively (as the case maybe), maintained in accordance with GAAP. Each Party agrees that the determination of such amounts will be made using such Party's then-current standard procedures and methodologies for external reporting of financial results in reports filed with the US Securities and Exchange Commission.

(hh) "**Gross Profits Report**" shall have the meaning set out in Section 8.4(a).

(ii) "**Indemnitee**" shall mean, with respect to a Party, such Party and its Affiliates, and their respective directors, officers, employees, agents, contractors, licensees and sublicensees.

(jj) "**Indemnified Party**" shall have the meaning set out in Section 12.4(a).

(kk) "**Indemnifying Party**" shall have the meaning set out in Section 12.4(a).

(ll) "**Information**" shall mean (a) technical or economic information, techniques and data relating to the Product, including inventions, practices, methods, knowledge, know-how, skills, SOPs, methods, experience, test data, including pharmacological, toxicological, safety, non-clinical and clinical test data, results, protocols, data, formulations, specifications, analytical and quality control data, regulatory strategies, regulatory submissions, correspondence and communications, marketing, pricing, distribution, cost, sales, patent and legal data or descriptions, and strategies relating to the Product and (b) compositions of matter, devices, assays and biological, chemical or physical materials relating to the Product.

(mm) "**Invention**" shall mean any invention or discovery, whether or not patentable, made or acquired or Controlled:

(i) by UTC pursuant to its activities under to this Agreement performed on or after the Effective Date;

(ii) by Pluristem on or after the Effective Date;

that is necessary or useful in the Development, Manufacture, use, or Commercialization of the Product.

(nn) "**Joint Inventions**" shall have the meaning set out in Section 9.1(e).

(oo) "**Joint Patents**" shall have the meaning set out in Section 9.1(e).

(pp) "**JSC**" or "**Joint Steering Committee**" shall have the meaning set forth in Section 3.1.

(qq) "**Losses**" shall have the meaning set out in Section 12.1.

(rr) "**Manufacture**" shall mean the storage, handling, assembly, fill, production, processing, Labeling, testing, disposition, packaging and quality control of raw materials and components and the Product, and supply of the resulting Product.

(ss) "**Manufacturing and Supply Agreement**" shall mean that certain Manufacturing and Supply Agreement entered into by Pluristem and UTC, pursuant to which Pluristem shall supply to UTC, and UTC shall purchase from Pluristem, all of UTC's requirements for the commercial supply of Product, subject to, and in accordance with, the terms and conditions set forth in this Agreement and such Manufacturing and Supply Agreement.

(tt) "**Negotiation Period**" shall have the meaning set out in Section 7.5(h) and Section 6.2(c).

(uu) "**Non-Publishing Party**" shall have the meaning set out in Section 11.6(a).

(vv) "**Notification Period**" shall have the meaning set out in Section 2.5(c).

(ww) "**OCS**" shall mean the Office of the Chief Scientist of the Ministry of Industry and Trade, or any replacement therefore.

(xx) "**OCS Consent**" shall have the meaning set out in Section 6.8(a)(i).

(yy) "**Offered Indication**" has the meaning set out in Section 2.5(a).

(zz) "**Patents**" shall mean (a) unexpired letters patent (including inventor's certificates) in the Territory that have not been held invalid or unenforceable by a court of competent jurisdiction from which no appeal can be taken or has been taken within the required time period, including any substitution, extension, term restoration, registration, confirmation, reissue, re-examination, renewal or any like filing thereof and (b) pending applications for letters patent in the Territory, including any continuation, division or continuation-in-part thereof and any provisional applications.

(aaa) "**Phase II**" trial means a clinical trial on sufficient numbers of patients that is designed to establish the safety and biological activity of the Product for its intended use before the FDA or a Regulatory Authority in a jurisdiction for which the EMA is responsible, which does not include a trial powered to support (without additional trials) an application for Regulatory Approval for the Commercialization of the Product in the United States or in a jurisdiction for which the EMA is responsible, respectively.

(bbb) "**Pluristem Commercialization Activities**" shall have the meaning set forth in Section 7.1(b).

(ccc) "**Pluristem Development Activities**" shall have the meaning set out in Section 5.1(b).

(ddd) "**Pluristem Know-How**" shall mean all Information that (a) is Controlled by Pluristem at any time during the Term and (b) is Useful in the Development, use or Commercialization of the Product in the Field, all as modified pursuant to Article 9. In the event of a Failure to Supply, "Pluristem Know-How" shall include all of the foregoing that is Useful in the Manufacture of the Product for use in the Field.

(eee) "**Pluristem Patents**" shall mean all Patents that claim the Development, use or Commercialization of the Product that are Controlled by Pluristem at any time during the Term, including any Patents claiming Inventions Controlled by Pluristem in accordance with Article 9, including composition and method of use of the PLX, all as modified pursuant to Article 9. In the event of a Failure to Supply, "Pluristem Patents" shall include all Patents that claim the Manufacture of the Product for use in the Field that are Controlled by Pluristem at any time during the Term. As of the Effective Date, the Pluristem Patents (including those claiming the Manufacture of the Product for use in the Field) are as set forth on Exhibit 1.1(eee).

(fff) "**Pluristem Product Marks**" shall mean the certain, separate Pluristem brand name to be used in connection with marketing and sale of the Product in Pluristem's Domain, distinct from the UTC Product Marks, and all other trademarks used or intended for use by Pluristem during the Term in connection with the marketing or sale of the Product in Pluristem's Domain.

(ggg) "**Pluristem Technology**" shall mean the Pluristem Patents and Pluristem Know-How.

(hhh) "**PLX**" or "PLacental eXpanded cells" shall mean mesenchymal-like adherent stromal cells (ASCs) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

(iii) "**PLX Development**" shall mean **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

(jjj) "**PLX Development IP**" shall have the meaning set out in Section 9.2(b).

(kkk) "**Product**" shall mean that pharmaceutical product of which the active ingredient of which includes PLX, in any finished form and formulation.

(lll) "**Promotion**" or "**Promote**" shall mean the marketing and advertising of the Product in the Field, including medical education, information and communication, market development and medical liaison activities.

(mmm) "**Publishing Party**" shall have the meaning set out in Section 11.6(a).

(nnn) "**Quality Agreement**" has the meaning set forth in Section 4.7.

(ooo) "**R&D Law**" means the Law for the Encouragement of Industrial Research and Development, 5744-1984 (as amended).

(ppp) "**Reasonable Cost**" shall mean, with respect to a Party, the reasonable costs and expenses (including full time equivalent costs and Third Party costs) as then calculated, from time to time, by such Party for its internal accounting purposes in accordance with GAAP, such calculation performed consistently with the practice across such Party's organization. In any circumstance where Reasonable Costs are expected to exceed **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**, the Parties will develop a budget for such circumstance and agree upon a full time equivalent rate that is appropriate for such circumstance.

(qqq) "**Receiving Party**" shall have the meaning set out in Section 11.1.

(rrr) "**Regulatory Approval**" shall mean any approvals, licenses, registrations or authorizations of any Regulatory Authority, whether or not conditional, that are necessary for the Development, Manufacture, use or Commercialization of the Product any regulatory jurisdiction in the Territory in accordance with Applicable Law and obtained as a result of activities under this Agreement, including receipt of pricing and reimbursement approvals, where applicable.

(sss) "**Regulatory Authority**" shall mean any and all supranational, national, or regional, state, provincial or other local government, court, governmental agency, authority, board, bureau, instrumentality, regulatory agency, department, bureau, commission, council or other government entity, whose approval or authorization is necessary for, or to whom notice must be given prior to, the Development, Manufacture, use or Commercialization of the Product in the Territory or the designation of the Product as an orphan drug (or equivalent designation) in the Territory, including, with respect to the United States, the FDA.

(ttt) "**Regulatory Exclusivity Rights**" shall have the meaning set out in Section 9.7.

(uuu) "**Regulatory Filings**" shall mean all applications, filings, dossiers and the like (excluding routine Adverse Event expedited or periodic reporting), submitted to a Regulatory Authority in the Territory for the purpose of obtaining Regulatory Approval from that Regulatory Authority in the Territory with respect to the Product, but do not include submission of promotional materials to Division of Drug Marketing, Advertising, and Communications of the FDA (DDMAC) and international equivalents.

(vvv) "**Representatives**" shall mean, with respect to a Party, its Affiliates, contractors, licensees and sublicensees.

(www) "**Safety Agreement**" shall have the meaning set forth in Section 5.7(a). An example of the table of contents of a Safety Agreement is attached hereto as Exhibit 1.1(www).

(xxx) "**Specifications**" shall have the meaning set out in Section 6.1(a).

(yyy) "**Supply Terms Schedule**" shall have the meaning set out in Section 6.2.

(zzz) "**Term**" shall have the meaning set forth in Section 13.1.

(aaaa) "**Territory**" shall mean the entire universe.

(bbbb) "**Third Party**" shall mean any entity other than a Party or its Affiliates.

(cccc) "**Tissue Engineering**" shall mean the ex-vivo regeneration or replacement of portions or functions of the lung or the whole lung.

(dddd) "**Useful**" shall mean, with respect to UTC, necessary or useful in the Development or Commercialization of the Product in the Field, and, with respect to Pluristem, necessary or useful in the Manufacture, Development or Commercialization of Products in Pluristem's Domain. In the event that UTC exercises its rights under Section 2.1(b), in respect of UTC, "Useful" shall include necessary or useful in the Manufacture of the Product for use in the Field.

(eeee) "**UTC Commercialization Activities**" shall have the meaning set forth in Section 7.1(a).

(ffff) "**UTC Development Activities**" shall have the meaning set out in Section 5.1(a).

(gggg) "**UTC Know-How**" shall mean all Information that (a) is Controlled by UTC at any time during the Term and (b) arises from the Development, Manufacturing or Commercialization of Product at any time during the Term and (C) is Useful in the Development, Manufacture, use, or Commercialization of the Product in the Field, all as modified pursuant to Article 9.

(hhhh) "**UTC Patents**" shall mean all Patents that claim the Development, Manufacture, use or Commercialization of the Product in the Field that are Controlled by UTC at any time during the Term, and arise from the Development, Manufacturing or Commercialization of Product at any time during the Term, including any Patents claiming Inventions Controlled by UTC in accordance with Article 9, including composition and method of use Patents, all as modified pursuant to Article 9.

(iiii) "**UTC Product Marks**" shall mean the certain, separate UTC brand name to be used in connection with marketing and sale of the Product in the Field, distinct from the Pluristem Product Marks, and all other trademarks used or intended for use by UTC during the Term in connection with the marketing or sale of the Product inside the Field.

(jjjj) "**UTC Sales Representative**" shall mean an employee of UTC or its permitted contractors and a member of UTC's sales force engaged in the conduct of Details of the Product and trained as provided under this Agreement.

(kkkk) "**Valid Claim**" shall mean a claim within an issued Pluristem Patent that has not expired, lapsed, or been cancelled or abandoned, and that has not been dedicated to the public, disclaimed, or held unenforceable, invalid, or been cancelled by a court or administrative agency of competent jurisdiction in an order or decision from which no appeal has been or can be taken, including through opposition, re-examination, reissue, or disclaimer.

1.2 Interpretation

(a) **Captions & Headings**. The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

(b) **Singular & Plural**. All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter.

(c) **Articles, Sections & Subsections**. Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

(d) **Days**. All references to days in this Agreement shall mean calendar days, unless otherwise specified.

(e) **Clarification**. The word "including" shall be deemed to mean "including without limitation" and "including, but not limited to". A consent that is identified in this Agreement as not "to be unreasonably withheld" shall not be unreasonably withheld, delayed or conditioned.

(f) **Ambiguities**. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist.

(g) **Priority**. In the event of any inconsistency between the provisions of this Agreement and the Manufacturing and Supply Agreement, the provisions of this Agreement shall control.

Article 2 Grant of Rights

2.1 License Grant to UTC

Subject to the terms and conditions of this Agreement, Pluristem hereby grants to UTC during the Term an exclusive (even as to Pluristem), non-transferable (subject to Section 16.2), sublicenseable (subject to Section 2.2) license, under the Pluristem Know-How and the Pluristem Patents, to:

(a) Develop, use and Commercialize the Product in the Field; and

(b) in the event of the occurrence of a Failure to Supply, Manufacture and have Manufactured the Product solely for Development, use and Commercialization in the Field.

2.2 Restrictions on Sublicensing

The license granted to UTC in Section 2.1 to Develop and Commercialize the Product is not sublicenseable without the prior written consent of Pluristem (which consent shall not be unreasonably withheld). Notwithstanding the preceding sentence, UTC may sublicense without consent Development or Commercialization activities in specific countries in the Territory. UTC shall provide written notice to Pluristem of such sublicenses, which will include the name of the sublicensee and the scope of the activities which are sublicensed. Notwithstanding the foregoing, all times during the Term, UTC shall perform the substantial portion of the Development and Commercialization of Product not through a sublicense (except as will be otherwise agreed by Pluristem). A distributor is not a sublicensee for the purpose hereof. Any such permitted sublicense (A) if granted to a UTC's Affiliate, shall terminate, with respect to such Affiliate, upon such Affiliate ceasing to be an Affiliate of UTC; and (B) shall be consistent with and subject to the terms and conditions of this Agreement. UTC shall be liable to Pluristem for any breach of the terms of this Agreement by such sublicensees, whether such sublicensees are approved by Pluristem or otherwise. UTC shall remain responsible for any breach of the terms of this Agreement by any such sublicensee in accordance with the terms of Section 12.1(f).

2.3 No Implied License

Except for the licenses and other rights granted to UTC herein, all right, title and interest in and to the Pluristem Technology and Pluristem Product Marks shall remain solely with Pluristem, whether developed or conceived prior, during or after the Term of this Agreement. Except as expressly provided in this Agreement, neither Party will be deemed by this Agreement to have been granted any license or other rights to the other Party's intellectual property rights, either expressly or by implication, estoppel or otherwise.

2.4 Non Compete

Except for the activities conducted pursuant to this Agreement:

(a) during the Term, neither UTC nor any of its Affiliates shall, directly or indirectly, alone or in collaboration, partnership or any other form of engagement with any Third Party (including joint ownership or otherwise), Develop or Commercialize in any country in the Territory any Competing Product in the Field.

(b) During the Term, neither Pluristem nor any of its Affiliates shall, directly or indirectly, alone or in collaboration, partnership or any other form of engagement with any Third Party (including joint ownership or otherwise), Develop or Commercialize in any country in the Territory any product in the Field, unless such Development or Commercialization is the result of a Change of Control of Pluristem where Pluristem's aquiror was, at the time of such Change of Control or at any time thereafter, directly or indirectly, alone or in collaboration, partnership or any other form of engagement with any Third Party (including joint ownership or otherwise), Developing or Commercializing in any country in the Territory any product in the Field.

2.5 Right of First Negotiation for Tissue Engineering

(a) During the Term, if Pluristem is approached by a Third Party regarding, or enters into bona fide discussions with a Third Party for, the opportunity to collaborate on, or decides to exploit itself, the Development or Commercialization of products Covered by the PLX Development solely for Tissue Engineering (the "Offered Indication"), Pluristem will provide written notice of same to UTC.

(b) Such notice will include:

(i) information possessed by Pluristem that supports the Development or Commercialization of Product for the Offered Indication and is reasonably necessary for UTC to assess the commercial potential of same;

(ii) if Pluristem was approached by a Third Party or entered into bona fide discussions with a Third Party, the same information presented by Pluristem to the Third Party, subject to any bona fide obligations of confidentiality and limited use owed to such Third Party; and

(iii) a proposal respecting same that Pluristem would be prepared to accept.

(c) Within 30 days of receipt of such notice (the "Notification Period"), UTC will provide written notice to Pluristem indicating whether it is interested in negotiating with Pluristem to obtain the rights in question from Pluristem.

(d) If UTC fails to respond to Pluristem's notification within the Notification Period or indicates that it is not interested in the Offered Indication, Pluristem will thereafter be free to enter into discussions and a binding transaction with one or more Third Parties regarding the rights offered to UTC in the Offered Indication.

(e) If UTC indicates its interest in obtaining such rights to the Offered Indication on or before the expiry of the Notification Period, the Parties will negotiate in good faith the terms of a separate development and commercialization agreement, which terms will be commercially reasonable, including without limitation license fees, milestone payments, and royalties, during the period up to ninety (90) days following receipt of UTC's notice (the "Negotiation Period"). If the Parties are unable to execute such an agreement within such time period, despite good faith negotiations by each Party, Pluristem will thereafter be free to enter into a definitive agreement to develop and commercialize such rights in the Offered Indication with one or more Third Parties in the two (2) years following the expiry of the Negotiation Period, provided that the terms agreed to with such Third Party include financial terms are no more favorable to such Third Party than the last terms offered by Pluristem to UTC. In the event that Pluristem and a Third Party are unable to execute such a definitive agreement within such time period, the Offered Indication shall again be subject to the terms of this Section 2.5. If such a definitive agreement for the Offered Indication terminates for any reason, such Offered Indication shall again be subject to the terms of this Section 2.5.

(f) Pluristem will not exploit Product for Tissue Engineering unless it has first offered the opportunity to UTC in accordance with this Section 2.5.

Article 3 Governance

3.1 General

The Parties desire to establish a joint steering committee (the "**Joint Steering Committee**" or "**JSC**"), which shall oversee the Parties' activities under this Agreement and facilitate communications between the Parties.

3.2 Joint Steering Committee

(a) **Formation and Purpose**. Within forty-five (45) days after the Effective Date, each Party shall appoint up to three (3) members of its management to be its JSC representatives. Each Party may replace its JSC representatives by written notice to the other Party. The purpose of the JSC shall be to provide a forum for joint discussion between the Parties in order to (i) coordinate the Manufacture of the Product for the Development, use or Commercialization of the Product in the Field, (ii) keep each Party generally advised of the other Party's activities that would be Useful to the other Party, and (iii) identify activities that would be of mutual benefit with respect to the Product that would be Useful to the other Party. The JSC shall have the membership and shall operate by the procedures set forth in Section 3.4.

(b) **Specific Responsibilities of the JSC**. In addition to its overall responsibility for coordinating the Parties' activities under this Agreement, the JSC shall, in particular and in a timely manner:

(i) monitor progress of the Development of the Product in the Field as same may be made in accordance with this Agreement;

(ii) review and comment upon plans for and results of any and all clinical trials conducted by UTC with respect to the Field and conducted in Pluristem's Domain to the extent such information is Useful to UTC, including clinical trial protocols, monitoring plans, and data disclosure plans included with each such protocol, and updates or amendments thereto;

(iii) facilitate the flow of information with respect to the Commercialization of the Product in the Field by UTC;

(iv) facilitate mechanisms for discussion between the Parties with respect to Development of the Product in the Field and in Pluristem's Domain, including the contents and submission of Regulatory Filings, to the extent such Development and such Regulatory Filings are Useful to the other Party;

(v) facilitate communication between the Parties with respect to all serious adverse events or significant safety issues for Products in all fields throughout the world to the extent such information is Useful to UTC or to Pluristem, consistent with the terms of the Safety Agreement and coordinate efforts of the Parties to ensure proper reporting of all Adverse Events for the Product in the Field in accordance with Applicable Law and consistent with the terms of the Safety Agreement;

(vi) subject to any obligations of confidence owed to a Third Party, facilitate the flow of information with respect to any material new studies of which either Party becomes aware which relate to the Product to the extent such information is Useful to the other Party;

(vii) implement policies and procedures for providing each Party with copies of all correspondence and communications with Regulatory Authorities relating to Products, to the extent such correspondence and communications are Useful to the other Party;

(viii) coordinate the availability, timing, and amount of Product and placebo to be supplied by Pluristem to UTC for the sale of the Product in the Field, and procedures for forecasting and ordering such placebo and Product pursuant to the Manufacturing and Supply Agreement;

(ix) monitor Pluristem's Manufacturing capacity for the Product including the requirement for safety stock as and to the extent agreed by the Parties from time to time;

(x) consultation between the Parties regarding the Detailing of the Product in UTC's Domain and the detailing of Pluristem's Product(s) in Pluristem's Domain to the extent Useful in respect of the Domain of either Party; and

(xi) perform such other functions as the Parties may agree in writing.

3.3 Areas Outside the JSC's Authority

The JSC shall have no authority other than that expressly set forth in Section 3.2. In no event shall the JSC have the right to modify or amend, or waive the terms of, or either Party's compliance with, this Agreement.

3.4 Operating Principles

The Parties hereby acknowledge and agree that the deliberations and decision-making of the JSC, and any subcommittee established by the JSC, shall be in accordance with the following operating principles:

(a) **Chairpersons**. The JSC shall have co-chairpersons. Each of UTC and Pluristem shall select from their representatives a co-chairperson for the JSC. The co-chairpersons of the JSC shall be responsible for calling meetings, preparing and circulating an agenda in advance of each meeting of the JSC, and preparing and issuing minutes of each meeting within thirty (30) days thereafter. The JSC co-chairperson of a Party shall call a meeting of the JSC promptly upon the written request of the other co-chairperson to convene such a meeting. Such minutes will not be finalized until both chairpersons review and confirm the accuracy of such minutes in writing.

(b) **Meetings**. The JSC shall hold meetings at such times as it elects to do so, but in no event shall such meetings be held less frequently than once every Calendar Quarter during the first 12 months following the date hereof and thereafter at least twice per Calendar Year unless otherwise agreed by the JSC. The JSC shall meet alternately at Pluristem's facilities in Haifa, Israel, and UTC's facilities in the United States, or at such locations as the Parties may otherwise mutually agree. Other employees of each Party (including the Alliance Managers, as defined in Section 3.5(a)) involved in the Development, Manufacture, or Commercialization of the Product in the Field may attend meetings of the JSC as nonvoting participants, and, with the consent of each Party, consultants, representatives, or advisors involved in the Development, Manufacture, or Commercialization of the Product may attend meetings of the JSC as nonvoting observers; provided that such Third Party representatives are under obligations of confidentiality and non-use applicable to the Confidential Information of each Party and that are at least as stringent as those set forth in Article 11; and provided that the term of such obligations may be reduced by mutual agreement of the Parties so as to be commercially reasonable based on the circumstances. Each Party shall be responsible for all of its own expenses associated with participating in the JSC. Meetings of the JSC may be held by audio or video teleconference with the mutual consent of the Parties; provided that one (1) JSC meeting per Calendar Year shall be held in person.

(c) **Decision Making**.

(i) The JSC is an advisory body only, and the rights and authorities of the Parties are set forth in this Agreement, including Section 3.4(c)(ii) and 3.4(c)(iii). The Parties shall use Commercially Reasonable Efforts to cause their respective members of the JSC to act in good faith and cooperate with one another. Any disagreement between the Parties shall be first submitted to the Alliance Managers in order to facilitate a resolution and then, if not resolved, at the election of either Party, be referred for resolution pursuant to Article 14. Notwithstanding the foregoing, each Party has final decision-making authority with respect to certain matters pursuant to 3.4(c)(ii) and 3.4(c)(iii), and no decision made in accordance with such final decision-making authority shall be subject to any dispute resolution mechanism or procedure under Article 14. Notwithstanding anything else in this Agreement or the Manufacturing and Supply Agreement, in no event shall either Party exercise its final decision-making authority in a manner that would have the effect of modifying, or would otherwise be in conflict with, the terms of this Agreement or the Manufacturing and Supply Agreement.

(ii) Except as otherwise set out in this Agreement, Pluristem shall have final decision-making authority regarding any and all matters relating to:

1. the Development and Commercialization of Products in Pluristem's Domain; and

2. Manufacture of Products, subject to the terms of the Manufacturing and Supply Agreement;

provided that, if Pluristem exercises its decision-making authority under this Agreement, including under this Section 3.4(c)(ii) , Pluristem will make a good faith effort to consult with UTC prior to making any decision that is reasonably likely to be material to UTC, and, if UTC requests, provide to UTC a reasonably detailed written explanation of the basis for such decision. If the Parties disagree on such decision, Pluristem agrees, at UTC's request, to make available a member of Pluristem's Executive Committee within ten (10) business days to discuss such matter; provided, however, that such a discussion will not affect Pluristem's right to exercise its final decision-making authority with respect to such decision.

(iii) Except as otherwise set out in this Agreement, UTC shall have final decision-making authority regarding any and all matters relating to the Development and Commercialization of Products in the Field, provided that, if UTC exercises its decision-making authority under this Agreement, including under this Section 3.4(c)(iii), UTC will make a good faith effort to consult with Pluristem prior to making any decision that is reasonably likely to be material to Pluristem, and, if Pluristem requests, provide to Pluristem a reasonably detailed written explanation of the basis for such decision. If the Parties disagree on such decision, UTC agrees, at Pluristem's request, to make available an executive officer of UTC within ten (10) business days to discuss such matter; provided, however, that such a discussion will not affect UTC's right to exercise its final decision-making authority with respect to such decision.

(iv) When exercising its decision-making authority under this Agreement, each Party shall:

1. keep the other Party closely informed about its activities related to the decision;

2. closely consult with the other Party on such activities and the possible decision(s) to be made and confer in good faith with the other Party respecting same;

3. exercise its decision-making authority in accordance with the principles set forth in Section 4.1.

(d) **Meeting Agendas**. Each Party shall disclose to the other Party proposed agenda items along with appropriate information at least ten (10) Business Days in advance of each meeting of the JSC; provided that, under exigent circumstances requiring JSC input, a Party may provide its agenda items to the other Party within a lesser period of time in advance of the meeting, or may propose that there not be a specific agenda for a particular meeting, so long as such other Party consents to such later addition of such agenda items or the absence of a specific agenda for such JSC meeting.

3.5 Alliance Managers

(a) Each of the Parties shall appoint a single individual to act as that Party's point of contact for communications between the Parties relating to the activities conducted under this Agreement (each, an "Alliance Manager"). Each Party may change its designated Alliance Manager from time to time upon written notice to the other Party. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager by written notice to the other Party.

(b) Each Alliance Manager shall be charged with creating and maintaining a collaborative work environment between the Parties and within the JSC. Each Alliance Manager will also: (i) be the point of first referral in all matters of conflict resolution; (ii) coordinate the relevant functional representatives of the Parties in developing and executing strategies and plans for the Product; (iii) provide a single point of communication for seeking consensus both internally within the respective Parties' organizations and between the Parties regarding key strategy and plan issues; (iv) identify and bring disputes to the attention of the JSC in a timely manner; (v) plan and coordinate cooperative efforts and internal and external communications; and (vi) take responsibility for ensuring that governance activities, such as the conduct of required JSC meetings and production of meeting minutes occur as set forth in this Agreement, and that relevant action items resulting from such meetings are appropriately carried out or otherwise addressed.

(c) The Alliance Managers shall use good faith efforts to attend all JSC meetings and support the co-chairpersons of the JSC in the discharge of their responsibilities. Alliance Managers shall be nonvoting participants in JSC meetings, unless they are also appointed members of the JSC pursuant to Section 3.2(a); provided, however, that an Alliance Manager may bring any matter to the attention of the JSC in order to facilitate a resolution of such matter.

3.6 Independence

Subject to the terms of this Agreement, the activities and resources of each Party shall be managed by such Party, acting independently and in its individual capacity. The relationship between the Parties is that of independent contractors, and neither Party shall have the power to bind or obligate the other Party in any manner, other than as is expressly set forth in this Agreement.

Article 4 Joint Obligations and Diligence

4.1 Conduct of the Parties

The Parties' mutual objective is to permit each Party, pursuant to and in accordance with the terms of this Agreement, to Develop and Commercialize the Product in such Party's Domain while not taking any action that would be reasonably likely to adversely affect development and commercialization of Products in the other Party's Domain. Each Party shall conduct itself and its activities hereunder consistent with that understanding, consistent with sound and ethical business and scientific practices.

4.2 Commercially Reasonable Efforts to Develop

UTC shall use Commercially Reasonable Efforts to conduct the Development to obtain Regulatory Approval for the Product for use in the Field at its own expense.

4.3 Determination of Diligence

If Pluristem is of the view that UTC is in breach of Section 4.2, Pluristem shall notify UTC in writing and, in the absence of an agreement between the Parties as to how to proceed within twenty (20) days of such notice, at the request of either Party, the Parties shall appoint a mutually acceptable person as an independent evaluator (the "**Evaluator**") to conduct the evaluation set forth in this Section 5.5. If the Parties cannot agree on such an evaluator, then a Party may so notify the arbitral body referred to in Section 14.2(f) of this Agreement and the evaluator will be appointed within ten days by such body. Unless the Parties mutually agree otherwise, the following rules and procedures shall govern the conduct of the Parties and the Evaluator before and during the investigation by the Evaluator:

(a) Each Party shall promptly provide to the Evaluator and the other Party copies of all documents, statements and records on which the Party intends to rely in presenting its position to the Evaluator, and in any event, shall provide same no later than thirty (30) days of the appointment of the Evaluator.

(b) Both Parties shall promptly provide to the Evaluator a written summary of their respective positions, and in any event, shall provide same no later than 45 days of the appointment of the Evaluator.

(c) On receipt of the documents, statements, records and summaries submitted by the Parties the Evaluator shall have thirty (30) days within which to conduct such further inquiries as he or she may deem necessary for the purpose of reviewing the efforts made by UTC with respect to the Development of the Product in compliance with the requirements of Section 4.2. For the purpose of conducting such an inquiry, the Evaluator shall have the right to:

(i) require either Party to disclose any further documents or records which the Evaluator considers to be relevant;

(ii) interview or question either orally (or by way of written questions) one or more representatives of either Party on issues deemed to be relevant by the Evaluator;

(iii) make an "*on site*" inspection of UTC's facilities; and

(iv) obtain if necessary, the assistance of an independent expert to provide technical information with respect to any area in which the Evaluator does not have a specific expertise.

(d) The Evaluator shall within thirty (30) days of starting the inquiry, prepare a report setting their findings and conclusions as to whether or not UTC has used Commercially Reasonable Efforts as specified in Section 4.2. If the Evaluator determines that UTC has failed to use Commercially Reasonable Efforts as specified in Section 4.2, then the Evaluator shall specify in their report their conclusions as to what would constitute such Commercially Reasonable Efforts, and UTC shall thereafter either:

(i) perform in a timely manner the actions specified by the Evaluator in the Evaluator's report as to what would constitute such Commercially Reasonable Efforts; or

(ii) give notice to Pluristem of termination of this Agreement under Section 13.2.

(e) If UTC elects to perform the actions specified by the Evaluator in the Evaluator's report and thereafter fails to execute such actions in a timely manner, after notice of breach provided in accordance with the terms of Section 13.3, then Pluristem may terminate this Agreement in accordance with Section 13.3 with the consequences set out in Section 13.4(b).

(f) The report and conclusions of the Evaluator shall be delivered to UTC and Pluristem, and shall be accepted by both Parties as final and binding.

(g) Pluristem may not call for more than one evaluation pursuant to this Section 4.3 in any two Calendar Year period. The Evaluator shall require the non-prevailing Party to pay the Evaluator's full fees and expenses or, if in the Evaluator's opinion there is no prevailing Party, the Evaluator's fees and expenses will be borne equally by the Parties. At the request of UTC, Pluristem will consent to the participation in any evaluation made pursuant hereto of UTC's sublicensee(s).

4.4 Initial Transfer of Know-How

Upon UTC's reasonable request, such request to be made after the Effective Date, Pluristem will provide or make available to UTC, or will have provided or made available to UTC the following Information on a timely basis, to the extent such Information is Useful to UTC:

(a) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(b) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(c) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

Pluristem shall use reasonable efforts to provide such data and Information in finalized format as soon as practicable.

4.5 Sharing of Development and Commercialization Information

(a) From time to time during the Term, UTC, acting reasonably, may request access to any Pluristem Know-How that is Useful to UTC, and Pluristem shall provide such access. From time to time during the Term, Pluristem, acting reasonably, may request access to any UTC Know-How that is Useful to Pluristem or is necessary or useful to Pluristem in respect of Pluristem's rights and obligations under this Agreement, and UTC shall provide such access.

(b) During the Term, each Party shall use Commercially Reasonable Efforts to make available to the other Party Information that is Useful to the other Party relating to the Development or Commercialization of the Product at no cost to such other Party.

(c) As requested or required by a Regulatory Authority, Pluristem will make available to UTC the Pluristem Know-How Useful in the Manufacture of the Product for use in the Field solely for the purpose of submitting such Information (to the extent required) to Regulatory Authorities.

4.6 Duty to Confer and Consult

The Parties shall confer in good faith regarding their respective activities under this Agreement and the strategies for pursuing same. Each Party shall closely consult with the other Party on its activities under this Agreement, and shall keep the other Party closely informed where such Information is Useful to the other Party.

4.7 Quality Agreement

At the request of either Party, acting reasonably, the Parties will negotiate the terms and conditions of an agreement regarding quality-related aspects of the relationship between Pluristem and UTC including quality assurance procedures (the "**Quality Agreement**").

4.8 Product Handling

Unless and until superseded by the terms of the Quality Agreement or otherwise agreed between the Parties, acting reasonably, UTC will comply with Pluristem's reasonable procedures for the storage, handling, transfer, delivery methods, testing, disposition, and quality control of Product from the time of transfer from Pluristem to UTC of the Product until completion of use of such Product.

Article 5 Development and Regulatory Activities

5.1 Development Activities

(a) As between UTC and Pluristem, UTC shall be responsible for carrying out all activities relating to Development other than those limited activities set forth in Section 5.1(b) as "Pluristem Development Activities" (the "UTC Development Activities"). Without limiting the foregoing, UTC Development Activities shall include preparation of Regulatory Filings in UTC's name in the Field and conducting (or having conducted) all clinical trials (including Phase IV studies) for the Field. UTC will consult with Pluristem in respect of such UTC Development Activities in accordance with 2.5(b).

(b) As between UTC and Pluristem, Pluristem shall be responsible for (i) supplying information to UTC as described in this Agreement; (ii) processing safety reports and notifying UTC of any Product withdrawals or recalls, and providing safety data to UTC, in each case as further described in this Agreement; (iii) supplying Product to UTC for Development at Pluristem's expense, as further described in Section 6.1; (iv) performing the intravenous toxicology study in accordance with Section **Error! Reference source not found.**; (v) such other activities proposed by UTC and agreed to by Pluristem, acting reasonably (collectively, the "Pluristem Development Activities").

(c) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

(d) If the Parties agree in advance in writing that Pluristem shall conduct any Development activities on behalf of UTC in the Field, then the Parties, acting reasonably, shall agree upon a protocol and the remuneration for each such activity.

5.2 Regulatory Matters in Pluristem's Domain

As between Pluristem and UTC, Pluristem shall be solely responsible for any and all regulatory activities with respect to Products in Pluristem's Domain, including filing of all Regulatory Filings for such products, maintenance of all Regulatory Approvals, any reports or submissions required to be made to any non-governmental Third Party payors, and any and all regulatory matters arising after obtaining Regulatory Approval, including post-marketing inquiries and safety surveillance activities.

5.3 Notice of Regulatory Filings

UTC will provide Pluristem with prompt detailed written notice of all updates and revisions to the Regulatory Filings in the Field that are Useful to Pluristem, or are necessary or useful to Pluristem in the Field. Pluristem will provide UTC with prompt detailed written notice of all updates and revisions to the Regulatory Filings that are Useful to UTC. In either event, a Party, at the other Party's reasonable request, shall provide the requesting Party with all Information and documentation relating to any such Regulatory Filings.

5.4 Regulatory Matters in the Field

(a) As between Pluristem and UTC, UTC shall be responsible for regulatory activities with respect to Products in the Field, including filing of all Regulatory Filings for the Product in the Field, maintenance of all Regulatory Approvals in the Field, any reports or submissions required to be made to any non-governmental Third Party payors, and any and all regulatory matters arising after obtaining Regulatory Approval, including post-marketing inquiries and safety surveillance activities in the Field. Pluristem will be responsible for the CMC regulatory submission.

(b) UTC will be responsible for all obligations with respect to providing pricing reports to government authorities having responsibility for pricing matters.

(c) UTC anticipates seeking Regulatory Approval for registration of a separate UTC Product Mark for the Product in the Field.

5.5 Ownership of Regulatory Filings; Right of Cross-Reference

As between the Parties, each Party shall own all Regulatory Approvals and Regulatory Filings relating to the Product in such Party's Domain and held in the name of such Party or its designated Affiliates or licensees. Each Party shall ensure that the other Party may, in preparing its Regulatory Filings in its own Domain, as appropriate, include a cross-reference or cross-references to any Regulatory Filings related to PLX or Products in other Party's Domain.

5.6 Interactions with Authorities; Regulatory Inquiries

(a) To the extent possible, UTC shall provide to Pluristem reasonable written notice of all meetings and conference telephone calls with any Regulatory Authority related to the Product in the Field. Pluristem shall have the right to have one or more representatives attend each such meeting and each such call, in each case to the extent permitted by the relevant Regulatory Authority.

(b) The JSC shall implement policies and procedures for providing to each Party a copy of all correspondence or communications with Regulatory Authorities relating to the Product that are Useful to the other Party.

(c) If requested by Pluristem, UTC shall allow Pluristem to have one or more representatives acceptable to UTC, acting reasonably, attend any meeting or call with a Regulatory Authority respecting the Field, in each case to the extent permitted by the relevant Regulatory Authority, at UTC's expense.

(d) Pluristem shall:

(i) notify UTC on a timely basis of any meetings and conference telephone calls with any Regulatory Authority related to the Product; and

(ii) make available to UTC on a timely basis any minutes of any such meetings or calls with a Regulatory Authority;

where same is Useful to UTC.

(e) UTC shall promptly provide Pluristem with copies of all written or electronic correspondence or communications received by UTC from Regulatory Authorities to the extent such correspondence or communications are Useful to Pluristem or are necessary or useful to Pluristem in the Field. Pluristem shall promptly provide UTC with copies of all written or electronic correspondence or communications received by Pluristem from Regulatory Authorities to the extent such correspondence or communications are Useful to UTC. If such correspondence or communication requires a response, the Parties shall consult with each other as appropriate to prepare a draft response, and the response shall be filed by the Party from whom the Regulatory Authority requested a response.

(f) Each Party shall notify the other Party within one (1) Business Day after it receives information about the initiation of any investigation or inquiry by any Regulatory Authority concerning the Development, Manufacture, use or Commercialization of the Product in the notifying Party's Domain to the extent such investigation or inquiry would be reasonably likely to adversely affect the other Party's Domain.

(g) If a Regulatory Authority desires to conduct an inspection or audit with regard to the Product of a Party's facility or a facility under contract with a Party with respect to the activities of either Party relevant to this Agreement, such Party shall permit and cooperate with such inspection or audit, and shall cause the contract facility to permit and cooperate with such Regulatory Authority during such inspection or audit.

5.7 Drug Safety

(a) **Adverse Event Reporting**. Except as set forth below, Pluristem shall be responsible for all activities related to the timely processing, evaluation, and reporting of Adverse Events to appropriate authorities, in accordance with local requirements, for the Product for all indications (including the Field) in the world. UTC shall be responsible for the surveillance, receipt, evaluation, and reporting of Adverse Events for the Product in UTC's Domain. UTC and Pluristem shall enter into a safety agreement setting forth a process regarding compliance with all Applicable Laws and both Parties' obligations related to such Adverse Event responsibilities for the Product (the "Safety Agreement"). In addition, the Safety Agreement will set forth procedures for sharing information between the Parties regarding Adverse Events. The Parties shall commence negotiation of such safety agreement within thirty (30) days after written request from either Party to the other Party.

(b) **Safety Database**. Unless otherwise required by Applicable Law or a Regulatory Authority, Pluristem shall create and maintain and exclusively own a single global safety database relating to the Product and **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**. UTC will cover the reasonable incremental costs of such database related to the performance of UTC's activities under this Agreement. If Applicable Law or a Regulatory Authority requires otherwise, the Parties shall cooperate to collect and share such safety data as so required.

(c) **Right to Audit**. Each Party shall have the right to perform audits of the other Party's pharmacovigilance activities relating to the Parties' activities under the terms of this Agreement including compliance by the other Party with Applicable Law. The notification of one Party's intent to conduct such an audit will be provided in writing to the other Party within a reasonable time period in advance, based upon the particular circumstances of the situation.

5.8 Product Withdrawals and Recalls

(a) In the event that (a) an event, incident, or circumstance has occurred which may result in the need for a recall or other removal of the Product or any lot or lots thereof from the market in the Field; (b) any Regulatory Authority in the Territory threatens or initiates any action to remove the Product from the market in the Field; or (c) any Regulatory Authority in the Territory requires distribution of a "Dear Doctor" letter or its equivalent, regarding use of the Product in the Field, the Party having knowledge of such event shall promptly advise the other Party in writing with respect thereto, and shall provide the other Party copies of all relevant correspondence, notices, and any other related documents. Unless otherwise agreed by the Parties, UTC shall be responsible for conducting the recall. Pluristem shall, upon reasonable request by UTC assist UTC in the conduct of any such recall or withdrawal in the Territory. Each Party will cooperate with the other Party in the performance of any recall or withdrawal.

(b) To the extent any recall of the Product is implemented as a result of the occurrence of an activity identified in Sections 12.2(a) through 12.2(e) inclusive by the Pluristem Indemnitees, Pluristem shall (i) bear all of Pluristem's costs and all Reasonable Costs incurred by UTC in connection with such recall and (ii) either, at UTC's option, replace or credit UTC for the cost of the relevant lots of the Product subject to the recall.

(c) To the extent any recall of the Product is implemented as a result of the occurrence of an activity identified in Sections 12.1(a) through 12.1(f) inclusive by the UTC Indemnitees, UTC shall (i) bear all of UTC's costs and all Reasonable Costs incurred by Pluristem in connection with such recall and (ii) if not already paid for by UTC, pay Pluristem for the cost of the relevant lots of the Product subject to the recall.

(d) Section 12.3 shall apply to the allocation of responsibility set out in this Section, mutatis mutandis.

5.9 PLX Development Generally

UTC may perform PLX Development. UTC shall provide prior written notice and consult with Pluristem regarding the PLX Development which notice shall include the scope of such PLX Development and keep Pluristem reasonably informed of the status and results of such development. Neither Party shall, without the written agreement of the other Party, conduct any clinical trials for or Commercialize any products incorporating the results of the PLX Development or exploiting PLX Development IP in the Field. Notwithstanding the foregoing, if Pluristem conducts any clinical trials for or Commercializes any products incorporating the results of the PLX Development or PLX Development IP outside the Field, then UTC may conduct any clinical trials for or Commercialize any products incorporating such results of the PLX Development or exploiting such resulting PLX Development IP in the Field. In the event that the Parties agree in writing to conduct any clinical trials or to Commercialize any products incorporating the result of PLX Development or exploiting PLX Development IP, then:

(a) UTC may Develop, Manufacture (in the event of a failure to supply such product by Pluristem, and the definition of "Failure to Supply" in this Agreement shall apply in respect of such product, as if such product were Product hereunder) use and Commercialize such product in the Field; and

(b) Pluristem may UTC may Develop, Manufacture, use and Commercialize such product in Pluristem's Domain;

and no consideration shall be payable by either Party to the other Party in respect of same except that UTC will be required to make the royalty payments as set forth in Section 8.3 and pay for any supply of such product by or on behalf of Pluristem on the terms set out in this Agreement as if such product were Product hereunder. The provisions of this Article 8 shall apply to the extent applicable to such royalty payments.

5.10 PLX Development for Tissue Engineering

(a) UTC may conduct PLX Development for the purposes of Tissue Engineering. UTC shall provide prior written notice and consult with Pluristem regarding such PLX Development which notice shall include the scope of such PLX Development and keep Pluristem reasonably informed of the status and results of such development.

(b) In the event that a Regulatory Authority requires any PLX Development as part of the UTC Development Activities, and provided that Pluristem has the capabilities to perform such PLX Development on behalf of UTC, UTC will give Pluristem a first opportunity in writing to conduct such development and the Parties will use good faith efforts to collaborate and agree on the terms of such development as soon as reasonably possible. If the Parties fail to agree on the terms of such development within a reasonable time, such period to be determined based on all the surrounding circumstances, including the requirements and timing of the relevant Regulatory Authority, UTC may conduct such development itself or with a Third Party.

Article 6 Manufacturing and Supply

6.1 Development Supply By Pluristem

(a) **Pluristem Obligations**. Subject to the terms set forth below, Pluristem shall supply to UTC all Product and placebo reasonably requested by UTC for Development, pursuant to the terms of this Section 6.1. Pluristem warrants that all Product supplied by Pluristem hereunder: (i) shall meet all then-applicable specifications for the Product at the time of delivery (the "**Specifications**"); and (ii) shall be Manufactured in accordance with GMP and all other Applicable Laws. From time to time at JSC meetings, the Parties shall discuss availability and timing of delivery of clinical supplies of the Product and placebo hereunder.

(b) **Development Supply at No Cost**. Pluristem shall supply the Development supplies of the Product and placebo supplied under this Section 6.1 at no cost to UTC; provided that, in respect of any supply of Products and placebo required due to loss of prior supply by UTC resulted from non-compliance by UTC with its obligations under the Quality Agreement or Section 4.8, UTC shall reimburse Pluristem for the Cost of Goods Sold for same.

(c) **Purchase Orders**. From time to time at JSC meetings, the Parties shall discuss (i) the amount of Product and placebo to be supplied by Pluristem to UTC during each Calendar Year, and (ii) the procedures for UTC to submit its requirements and Pluristem to supply such requirements. Such procedures shall include (i) annual forecasts of UTC's requirements, (ii) firm purchase commitments no less than ninety (90) days prior to the time the order must be delivered to UTC by Pluristem, and (iii) procedures for return and replacement of Product that does not substantially meet the Specifications or is in breach of the warranty set forth in Section 6.1(a). Any purchase orders, purchase order releases, confirmations, acceptances, invoices, and similar documents submitted by either Party shall be for administrative purposes only and shall not add to or modify the terms of this Agreement, except for the specification of quantities or delivery dates to the extent that with respect to such terms and agreement was reached between the Parties.

(d) **Development Costs**. Except for ex-factory delivery of Product by Pluristem, all other direct and indirect costs and expenses related to the Development shall be borne by UTC.

6.2 Commercial Manufacturing and Supply Agreement

(a) The Parties shall, commencing at least two (2) years prior to the anticipated date of Commercialization of the Product, as determined by the JSC, in good faith negotiate the terms of a Manufacturing and Supply Agreement such that it reflects the terms set out in the schedule attached hereto as Schedule 6.2 (the "Supply Terms Schedule").

(b) Except for UTC's rights in the event a Failure to Supply pursuant to Section 6.7, UTC will procure all of its requirements for commercial sales of Product for use in UTC's Domain from Pluristem pursuant to the Manufacturing and Supply Agreement.

(c) The Parties shall negotiate the Manufacturing and Supply Agreement in good faith and with sufficient diligence as is required to execute and deliver the Manufacturing and Supply Agreement within one hundred and eighty (180) days after the commencement of the negotiation of such agreement (the "Negotiation Period").

(d) In the event the Parties fail to execute and deliver the Manufacturing and Supply Agreement within the Negotiation Period, then each of the Parties shall produce a list of issues on which the Parties have failed to reach agreement and submit any then-existing draft(s) of the Manufacturing and Supply Agreement and the list(s) of issues to be resolved by a mutually acceptable person determined by the Parties to be competent in the drafting, structuring and negotiating of Manufacturing and Supply Agreements in the life sciences context as an independent evaluator to resolve the remaining issues in the Manufacturing and Supply Agreement.

(e) In the event that the Parties cannot agree on such evaluator, the appointing authority shall be the arbitral body referred to in Section 14.2(f) of this Agreement. The evaluator shall review the Manufacturing and Supply Agreement drafts and issues lists proposed by each Party. Each Party shall have the right to make written submissions regarding its position on each issue and to respond in writing to the submissions of the other Party. The evaluator shall prepare a commercially reasonable Manufacturing and Supply Agreement incorporating the terms set out in this Article and the Supply Terms Schedule and other customary and appropriate terms and conditions, taking into full consideration the position of the Parties on the unresolved issues. The evaluator shall complete his/her preparation of the draft Manufacturing and Supply Agreement pursuant to this Section 6.2 within ninety (90) days of his/her appointment, or within such further period as is mutually agreed upon by the Parties. It is hereby clarified that other than as set forth herein, the Evaluator shall not be authorized to grant Manufacturing rights to UTC, its Affiliates or any other Third Parties.

(f) The completed Manufacturing and Supply Agreement shall be executed by the Parties as the Manufacturing and Supply Agreement and the Parties shall perform their respective obligations in accordance with such agreement.

(g) One half of the cost of any appointment or determination pursuant to this Section 6.2 shall be borne by UTC and one half shall be borne by Pluristem.

6.3 Commercial Supply Price

UTC shall pay to Pluristem an amount equal to the Cost of Goods Sold plus **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** for commercial supplies of the Product and placebo supplied pursuant to Section 6.2 and the Manufacturing and Supply Agreement.

6.4 Supply of Product Samples

Pluristem shall provide UTC with Product Samples for UTC's use in the UTC Commercialization Activities at Pluristem's Cost of Goods Sold plus **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** for such Product Samples. Product Samples will be provided in such amounts and in such configurations as reasonably designated by UTC in accordance with the terms of the Manufacturing and Supply Agreement.

6.5 Non-Discrimination

If the available supply of PLX or other inputs to the Product, including production time, for purposes of Manufacturing the Product is in short supply such that Pluristem is unable to supply the quantity of Product ordered by or on behalf of UTC or its Representatives in accordance with Section 6.1 or the Manufacturing and Supply Agreement, unless otherwise agreed in writing by the Parties and subject to Section 6.5(a), the Parties will allocate Product between themselves *pro rata* based on each such Party's sales of same in the Calendar Quarter prior to the quarter in which such shortage occurs. Pluristem shall inform UTC of the expected duration of the shortage of PLX or other inputs to the Product and shall keep UTC informed on a timely basis of the status of the supply of PLX or other such inputs to the Product while such shortage is occurring. The Parties shall cooperate to expedite the manufacture of the Product by Pluristem when the shortage of PLX or other inputs to the Product has been alleviated.

(a) in the event of a shortage of PLX or other inputs to the Product, favor the supply of the Product for use in those indications where the greatest harm will occur in the absence of such supply.

6.6 Commercial Supply Capacity

(a) On a quarterly basis, Pluristem shall provide to the JSC (or to a duly formed subcommittee) forecast data showing expected worldwide Manufacturing capacity and demand for the Product for the subsequent twelve (12) months, and the JSC shall consider whether or not Pluristem will have adequate Manufacturing capacity to fulfill such demand for Product for such twelve (12) month period. In the event that the JSC concludes that a Manufacturing shortfall is reasonably possible, it shall inform the Parties and the Parties shall discuss in good faith ways of avoiding this shortfall. The determination of whether Pluristem shall increase its Manufacturing capacity shall be made by Pluristem in its absolute discretion. To the extent that a Failure of Supply is due in part to a failure by Pluristem to increase its Manufacturing capacity, the foregoing sentence will not relieve Pluristem of the consequences provided for in this Agreement in the event of a Failure to Supply.

(b) At the end of a successful Phase II clinical trial in the Field, UTC and Pluristem may discuss the construction of a GMP manufacturing facility in North America, the cost of which will be shared by UTC and Pluristem with UTC's commitment not to exceed $10 million. To the extent applicable the manufacturing facility may be used by Pluristem for Manufacturing of any products in Pluristem Domain.

6.7 Failure to Supply

In the event of the occurrence of a Failure to Supply, in addition to any other rights of UTC:

(a) UTC shall be relieved of its obligation to procure all of its requirements for Product for use in the Field from Pluristem pursuant to the Manufacturing and Supply Agreement;

(b) the licenses set out in Section 2.1(b) shall be effective;

(c) Pluristem shall immediately provide, or cause to be provided, reasonable technical assistance at its own expense to UTC or its designee to the Pluristem Know-How necessary to permit UTC or its designee to Manufacture the Product, solely for use in the Field;

(d) nothing in this Agreement shall prevent UTC from making itself, having made and procuring, Product for use in the Field from any source, including any contract manufacturing organization or other manufacturer used by Pluristem for same;

(e) Pluristem shall use Commercially Reasonable Efforts to facilitate procurement of Product for UTC for use in the Field; and

(f) If Pluristem gives notice to UTC that Pluristem has restored Pluristem's supply and manufacturing capabilities, the Parties may negotiate in good faith regarding purchase of supplies of Product from Pluristem.

6.8 R&D Law and the OCS

(a) Pluristem warrants to UTC that:

(i) certain Pluristem Technology was developed with funding provided by the OCS and is identified in Exhibit 6.80 (the "**Funded Technology**"), and the provision of same to UTC for the purpose of Manufacturing as set forth herein is subject to the provisions of and restrictions imposed by the R&D Law and the approval letters issued to Pluristem under such R&D Law before the Execution Date, and the consent of the OCS to the waiving of same to the extent required to permit the exercise by UTC of its rights under Section 2.1 (b) in respect of this Agreement and the Manufacturing and Supply Agreement (the "**OCS Consent**"); and

(ii) Pluristem has delivered to UTC a true copy of all such approval letters.

(b) Pluristem shall not agree with the OCS to any terms for the obtaining of the consent of the OCS to the grant of Manufacturing rights set out in this Agreement that are more onerous than those set out in such approval letters. Pluristem shall not enter into an agreement with any other Regulatory Authority or any other person that would make the warranties of Pluristem set out in this Agreement untrue.

(c) UTC undertakes and confirms that:

(i) the receipt of Manufacturing rights and Pluristem Know-How in connection therewith pursuant to this Agreement shall be in accordance with the applicable Israeli laws and regulations; and

(ii) receipt and/or transfer of the Funded Know-How shall be subject to the OCS Consent and Pluristem's undertakings towards the OCS contained in the approval letters issued to Pluristem under such R&D Law before the Execution Date.

(d) Pluristem shall not take any action that will render the OCS Consent invalid.

6.9 Access to Manufacturers

(a) Pluristem shall use Commercially Reasonable Efforts to, either directly or through one or more Third Party(ies), timely:

(i) Manufacture, or have Manufactured, sufficient supplies of the Product as required for Development of the Product in the Field;

(ii) Manufacture, or have Manufactured, sufficient commercial supplies of the Product as required use in the Field; and

(iii) conduct process development and scale-up work to develop a commercial process for the Manufacture and supply of Product for use in the Field, including related analytical and stability work.

(b) Pluristem shall use its Commercially Reasonable Efforts to resolve any shelf-life, regulatory and other Manufacturing issues respecting the Product in the Field.

(c) In the event that UTC exercises its rights under Section 6.7, Pluristem agrees that: (i) UTC and its Representatives shall be entitled to contract directly with any Third Party with whom Pluristem has entered into such definitive agreement(s) under Section 6.9(a) and (ii) such definitive agreement(s) shall not contain any contractual provision that would prohibit UTC and its Representatives from contracting directly or otherwise having access to any such Third Party(ies) for the Manufacture of Product for use in the Field.

(d) Pluristem will use Commercially Reasonable Efforts not to limit or restrict Pluristem's ability to grant UTC license as provided for herein without violating the terms of any agreement or other arrangement with any such Third Party. The Parties acknowledge that if Pluristem is required to pay license fees or royalties to any such Third Party(ies) in order to grant UTC such license to use any Pluristem Technology for the Manufacture of Product for use in the Field, then Pluristem shall in a timely fashion offer to UTC in writing a license or sublicense to such Pluristem Technology. Within a reasonable period of time (but not to exceed sixty (60) days after receipt of Pluristem's offer, UTC shall either accept the license or sublicense of same and pay to Pluristem the amount of such material licensing fees or royalties, or advise Pluristem that UTC does not wish to obtain such rights. Nothing in this Section 6.9(d) applies to the OCS Consent, which is dealt with in Section 6.8.

(e) If Pluristem Manufactures the Product itself, rather than through Third Part(ies), Pluristem will timely provide reasonable technical assistance to UTC and its Representatives with respect to the technology and Know How necessary to permit UTC or its Representatives to Manufacture or have Manufactured the Product for use in the Field as permitted by this Agreement. Each Party shall bear its own cost and expense of such assistance.

(f) It is hereby clarified that, whether or not UTC exercises any of its rights pursuant to the provisions of Sections 6.7 or 6.9, Pluristem and/or any of its successors and assignees will be entitled to the consideration set forth in Article 8.

Article 7 Commercialization

7.1 Commercialization Activities

(a) Except as otherwise provided herein, UTC shall use Commercially Reasonable Efforts to Commercialize the Product in the Field (the "UTC Commercialization Activities").

(b) Except as provided otherwise in the Manufacturing and Supply Agreement or this Agreement, Pluristem shall: (i) Manufacture and supply to UTC reasonable quantities of Product and Product Samples for use in the Field as reasonably requested by UTC; and (ii) grant and hereby grants to UTC a nonexclusive license to reproduce and publish, distribute or display Pluristem's promotional materials used in Pluristem's Domain (as same may be modified by UTC, subject to Pluristem prior written approval, acting reasonably) solely in UTC's Domain for the enjoyment of UTC's rights under this Agreement.

7.2 Compensation for Sales Outside the Selling Party's Domain

(a) If Pluristem believes that there are any sales of the Product in Pluristem's Domain originating directly or indirectly from UTC, Pluristem shall be permitted to implement and conduct procedures under which material sales and purchases of the Product in the Territory and other related market research data shall be audited and monitored, using for example IMS Health and PDDA data and information, and UTC agrees to cooperate with Pluristem in the implementation and conduct of such procedures. In the event that such an audit and monitoring procedure determines that sales of the Product in Pluristem's Domain have been or are being made originating directly or indirectly from UTC, then **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** consideration received by UTC from such sales shall be immediately paid to Pluristem. Notwithstanding anything to the contrary, the remedy to Pluristem set forth in the previous sentence will not be the exclusive remedy available to Pluristem under this Section 7.2(a).

(b) If UTC believes that there are sales of Product in the Field originating directly or indirectly from Pluristem, UTC shall be permitted to implement and conduct procedures under which material sales and purchases of the Product in the Territory and other related market research data shall be audited and monitored, using for example IMS Health and PDDA data and information, and Pluristem agrees to cooperate with UTC in the implementation and conduct of such procedures. In the event that such an audit and monitoring procedure determines that material sales of Product in the Field have been or are being made originating directly or indirectly from Pluristem, then **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** consideration received by Pluristem from such sales shall be immediately paid to UTC. Notwithstanding anything to the contrary, the remedy to UTC set forth in the previous sentence will not be the exclusive remedy available to UTC under this Section 7.2(b).

7.3 Commercialization Costs

UTC shall bear all costs and expenses incurred by UTC in connection with the UTC Commercialization Activities.

7.4 Complaints and Inquiries

The Parties shall mutually develop a protocol, under the Quality Agreement, for responding to any and all complaints, medical questions, or other inquiries relating to each Party's Domain, which are directed to such Parties' respective sales representatives.

7.5 Product Integrity

(a) The Parties acknowledge and agree that all Product supplied to UTC under the Manufacturing and Supply Agreement is intended to be sold to end-users under a separate UTC Product Mark for use in the Field, and that Pluristem intends to sell the Product under a separate Pluristem Product Mark for use in Pluristem's Domain.

(b) UTC agrees that it will Promote the Product to healthcare professionals for use only in the Field, and will not, directly or indirectly, promote, disseminate information about or seek reimbursement for the Product in Pluristem's Domain. In the event that UTC discovers that the Product is being distributed in Pluristem's Domain, UTC shall notify Pluristem, and the provisions set forth in Section 7.2(a) shall apply.

(c) Pluristem agrees that it will not promote the Product to healthcare professionals for use in the Field and will not, directly or indirectly, promote, disseminate information about or seek reimbursement for the Product in the Field. In the event that Pluristem discovers that a Product is being distributed in Field, Pluristem shall notify UTC, and the provisions set forth in Section 7.2(b) shall apply.

(d) The Parties shall implement reasonable anti-counterfeiting and field restriction practices, and cooperate fully with each other by taking any and all reasonable steps to protect the safety of patients, maintain the loyalty of physician customers, preserve value, and ensure that safe Product is available to patients seeking treatment and appropriately handled for safe and effective treatment.

(e) The Parties have entered into this Agreement with the expectation that each Party undertake the effort, expense and risks associated with the Development and Commercialization of Product in the Parties' respective Domains and that the opportunity in each Domain give rise to a return commensurate with the effort, expense and risks associated with same.

(f) To the extent permissible under Applicable Law, each Party will make commercially reasonable efforts to ensure that nothing done a Party's Domain adversely affects the other Party's Domain, including taking reasonable steps to discourage or prevent "off-label" or out-of-Domain use. In this regard, and without limiting the generality of the foregoing:

(i) each Party will ensure that differentiated Products will be developed respectively for the Field and for Pluristem's Domain;

(ii) where reasonably feasible to do so, each Party will formulate, package and fix the dosage of each Product in such a way so that it will not be useful for the other Party's Domain;

(iii) each Party shall share with the other Party any creditable information as to off-label or out-of-Domain use of the former Party's Product;

(iv) each Party shall discontinue sales to any Third Parties selling the Product for off-label or out-of- Domain use; and

(v) the Parties shall implement a policy addressing the appropriate handling of unsolicited requests and dissemination of information about "off-label" or out-of- Domain use.

(g) Upon the written request of either Party, the Parties shall meet and in good faith endeavor to reach further agreement on means of avoiding, correcting or abating off-label or out-of-Domain uses and addressing the consequences of such uses in a fair and reasonable manner, including incorporating in detail the issues contemplated in this Section 7.5 and any other matters necessary or useful to discourage or prevent "off-label" or out-of- Domain use.

(h) In the absence of the agreement contemplated by Section 7.5(g), either Party may give notice to the other Party triggering the process for reaching an agreement set out in Section 6.2(c), 6.2(d), 6.2(e), 6.2(f) and 6.2(g), except that, for the purposes of this Section7.5(h), the "Negotiation Period" shall be ninety (90) days and the references to the "Manufacturing and Supply Agreement" shall mean the "Product Integrity Agreement" contemplated by this Section.

(i) Each Party shall ensure that any agreement it enters into with a licensee or sublicensee of its rights to the Product in its own Domain shall include provisions substantially similar to those set out in this Section 7.5.

Article 8 Payment

8.1 Upfront Payment

In consideration for the rights granted to UTC under this Agreement, UTC, within fifteen (15) days following the Effective Date, shall pay to Pluristem:

(a) a one-time-only, nonrefundable, non-creditable payment of Five Million Dollars ($5,000,000); and

(b) a refundable, creditable payment of Two Million Dollars ($2,000,000) as an advance against the reasonable and direct cost to Pluristem of the completion of the intravenous toxicology studies required for IND filing as approved in advance by UTC.

8.2 Milestones

(a) UTC shall pay to Pluristem the nonrefundable, non-creditable milestone payments set forth in the table below within thirty days of the first achievement of each of the following events with respect to a Product in the Field:

Milestone Event		Amount
(i)**	THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**	**THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**
(ii)	**THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**	**THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**
(iii)	**THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**	**THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

(b) Each of the foregoing milestones shall be payable only once. It is further agreed between the Parties that any of the milestone payments set forth above are attributed to Pluristem's development services provided to UTC in connection with the achievement of such milestone.

(c) Occurrence of the foregoing milestones and payments made on account of the occurrence of the foregoing milestones will not be publicly announced by a Party without the express written consent of the other Party, unless that announcement or disclosure of such payment is required by Applicable Law.

(d) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

8.3 Royalty Payments

UTC shall pay Pluristem a royalty in an amount equal to **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** of Gross Profits. In the event UTC receives any non-monetary consideration in connection with the sale of the Product, UTC's payment obligation under this Section 8.3 shall be based on the fair market value of such other consideration. In such case, UTC shall disclose to Pluristem the terms of any such arrangement, and the Parties shall endeavor in good faith to agree on the fair market value of the consideration received by UTC under such arrangement.

8.4 Payments and Reports

(a) UTC shall keep (and shall cause its Affiliates and shall require its sublicensees to keep) complete and accurate books and records that are necessary for Pluristem to ascertain and verify the payments owed hereunder.

(b) UTC shall provide a report to Pluristem within sixty (60) days after the end of each Calendar Quarter that summarizes all Gross Profits, including, if applicable, the fair market value of all non-monetary consideration received by UTC in exchange for the Product, during such Calendar Quarter and contains detailed information regarding the calculation of amounts due to Pluristem pursuant to Section 8.3, including allowable deductions in the calculation of Gross Profits, in a manner sufficient to enable Pluristem to determine amounts due to Pluristem under Section 8.3 ("Gross Profits Report"). UTC will mail the Gross Profits Report to the attention of: Chief Financial Officer. Contemporaneously with the delivery of each Gross Profits Report, UTC shall make all payments due to Pluristem pursuant to Section 8.3 with respect to the Calendar Quarter corresponding to such Gross Profits Report by wire transfer in immediately available funds in accordance with the terms of Section 8.6.

(c) Any payment required under this Agreement to be made to Pluristem by UTC shall be made to an Affiliate of Pluristem if designated in writing by Pluristem as the appropriate recipient. Any report required under this Agreement to be made to Pluristem by UTC shall be made by an Affiliate of UTC if designated in writing by UTC as the appropriate reporting entity.

8.5 Taxes

If Applicable Law requires that taxes be deducted and withheld from any payment to be made by UTC to Pluristem pursuant to this Agreement, and unless Pluristem provides a valid exemption from tax deduction or withholding UTC shall (a) deduct those taxes from the payment; (b) pay the taxes to the proper taxing authority; and (c) send evidence of the obligation together with proof of payment to Pluristem within sixty (60) days following that payment. UTC agrees to cooperate with Pluristem in its efforts to obtain appropriate exemptions.

8.6 Wire Transfers

All payments hereunder shall be made to Pluristem by bank wire transfer in immediately available funds to Pluristem in accordance with the wire instructions set forth in Exhibit 8.6, which may be changed by written notice to UTC in accordance with Section 16.7.

8.7 Audit Rights

Pluristem shall have the right to have an independent certified public accountant selected by Pluristem and approved by UTC, such approval not to be unreasonably withheld, along with members of its internal finance team inspect the books and records of UTC and Affiliates of UTC for the purpose of determining the accuracy of (i) Gross Profits Reports provided by UTC to Pluristem pursuant to Section 8.4, and (ii) royalties due and paid by UTC to Pluristem pursuant to Sections 8.3 and 8.4. Pluristem may exercise such right within the Term and during a period of two (2) years after expiration or termination of this Agreement, but not more frequently than once in any Calendar Year period, for any period up to three (3) Calendar Years prior to such inspection. The independent certified public accountants shall keep confidential any information obtained during such inspection and shall report to UTC and Pluristem only the amounts of Gross Profits and the amounts due and payable under the terms of this Agreement. If it is determined that additional amounts are owed to Pluristem during any period, UTC will pay Pluristem the additional amounts within thirty (30) days after the date the independent certified public accountant's written report is received by UTC, together with any additional amount owed pursuant to Section 8.10 (namely, any such discrepancies shall be considered due on the time the payment in respect of such Gross Profits ought to have been made). If it is determined that UTC has overpaid any amount during any period, the overpayment shall be credited toward future royalty payments to be paid by UTC pursuant hereto; provided, however, that, in the event no further royalty payment shall become due, said overpayment shall be paid to UTC within thirty (30) days after the date the independent certified public accountant's written report is received by UTC. The fees charged by such independent certified public accountant will be paid by Pluristem unless any additional amount owed to Pluristem (excluding any amount owed pursuant to Section 8.10) exceeds **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** of the amount paid for the annual period subject to the audit, in which case UTC will pay the reasonable costs of such independent certified public accountant.

8.8 Exchange Rate

All payments hereunder shall be payable in United States dollars. Whenever conversion of payments from any foreign currency shall be required, such conversion shall be made in accordance with GAAP.

8.9 Blocked Currency

If by reason of Applicable Law, UTC is unable to convert to US Dollars a portion of the amount due by UTC under this Agreement, then UTC shall notify Pluristem in writing and Pluristem shall have the right to receive such portion and UTC shall have the right to pay to Pluristem such portion, in the currency of any other country designated by Pluristem and legally available to UTC.

8.10 Late Payments

Subject to the terms of this Agreement, payments not made to Pluristem within the time period set forth in this Article 8 shall bear interest at a rate of **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.** per month or the highest rate allowed under Applicable Law, whichever is lower, until paid in full. The payment of such interest shall not limit Pluristem from exercising any other rights it may have as a consequence of the lateness of any payment.

Article 9 Inventions and Patents

9.1 Inventions Respecting Development

As between the Parties and subject to the licenses granted and assignments made in this Agreement:

(a) Pluristem shall retain exclusive ownership of all intellectual property rights in Pluristem Technology existing as of the Effective Date;

(b) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(c) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

(d) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

(e) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

9.2 Inventions Respecting PLX Development

Notwithstanding anything in Section 9.1, Pluristem shall own:

(a) any and all intellectual property rights in Inventions invented and Information created, either solely or jointly with Third Parties, by the employees or agents of UTC arising from the activities of UTC carried out under this Agreement and Controlled by UTC or Pluristem which cannot be used or practised without a licence of the Pluristem Patents or the Pluristem Know-How, without regard to how such Inventions were invented and such Information was created;

(b) any and all intellectual property rights in Inventions invented and Information created, either solely or jointly with Third Parties, by the employees or agents of UTC arising from the PLX Development and Controlled by UTC or Pluristem arising from the PLX Development, including PLX Development as a component of Tissue Engineering (the "PLX Development IP");

(and any Patents that claim such Inventions shall be deemed Pluristem Patents and any such Information shall be Pluristem Know-How and such patents and know-how shall be licensed to UTC on the terms set out in this Agreement (to the extent same are relevant to the Field, including Tissue Engineering in respect of the Field)).

9.3 Other Inventions

Notwithstanding anything in Section 9.1, but subject to Section 9.2, UTC shall own any and all intellectual property rights in Inventions invented and Information arising from the Development and the non-PLX Development components of Tissue Engineering and not otherwise assigned to Pluristem in accordance with this Article 9.

9.4 Patent Prosecution

(a) **UTC Patents**. UTC shall retain control and ownership over, and bear all expenses associated with, the filing, prosecution, and maintenance of any UTC Patents. UTC shall confer in good faith with Pluristem regarding UTC's patent strategy for the Field. Pluristem shall have the right to comment upon UTC's strategy and to propose additional countries in the Territory where it believes UTC should seek Patent protection. In the event UTC decides not to file an application for a UTC Patent Covering the Product in the Field in a country, UTC shall promptly notify Pluristem of such decision and Pluristem shall have the right to file, prosecute, and maintain such UTC Patent in UTC's name at Pluristem's sole expense and absolute discretion. UTC shall not abandon any patents or patent claims in the UTC Patents Covering the Product in the Field without prior written notice to Pluristem and Pluristem shall have the right to maintain such patent claim or patent in UTC's name at Pluristem's sole expense and absolute discretion.

(b) **Pluristem Patents**. Pluristem shall retain control and ownership over, and bear all expenses associated with, the filing, prosecution, and maintenance of any Pluristem Patents. Pluristem shall confer in good faith with UTC regarding Pluristem's patent strategy, including those countries in the Territory in which Pluristem intends to file applications for Pluristem Patents that claim the Development, Manufacturing or Commercialization of a Product in the Field. UTC shall have the right to comment upon Pluristem's strategy and to propose additional countries in the Territory where it believes Pluristem should seek Patent protection. In the event Pluristem decides not to file an application for a Pluristem Patent Covering the Product in the Field in a country, Pluristem shall promptly notify UTC of such decision and UTC shall have the right to file, prosecute, and maintain such Pluristem Patent in Pluristem's name at UTC's sole expense and absolute discretion and such patent application or Patent issuing therefrom shall be deemed included in the scope of the Pluristem Patents licensed hereunder. Pluristem shall not abandon any patents or patent claims in the Pluristem Patents Covering the Product in the Field without prior written notice to UTC and UTC shall have the right to maintain such patent claim or patent in Pluristem's name at UTC's sole expense and absolute discretion.

(c) **Joint Patents**. The JSC shall determine the Parties' rights and obligations with respect to the filing, prosecution, maintenance and enforcement of Joint Patents and the costs associated therewith, on a case-by-case basis.

9.5 Enforcement of Patent Rights

(a) **Notice**. If either Party becomes aware of any Third Party activity that infringes a Pluristem Patent or a UTC Patent or a Joint Patent, then that Party shall give prompt written notice to the other Party within thirty days after gaining knowledge of such infringement or violation.

(b) **Primary Right to Bring Action**. Each Party shall have the primary right, but not the obligation, to institute, prosecute or control any action or proceeding, with respect to such Third Party activity, by counsel of its own choice, in its own Domain. If a Party brings an action or proceeding under this Section 9.5(b), the other Party shall have the right (at its own expense, which shall not be reimbursed out of any damages or monetary award recovered) to participate in such action and to be represented by counsel of its own choice; furthermore, the other Party hereby agrees to be joined as a party to the action or proceeding, at the request and expense of the Party bringing such action or proceeding, and to provide reasonable assistance in any such action or proceeding, at the requesting Party's expense.

(c) **Allocation of Recovery**. In the event that UTC initiates an action solely in respect of the Field, any damages or monetary awards recovered by UTC shall first be applied to reimburse UTC an amount equal to the reasonable costs and expenses of UTC in connection with such litigation, and the balance shall be allocated **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

9.6 Further Assurances

The Parties shall assign and hereby assigns, and shall cause any and all such employees or agents to assign, to the other Party, free of charge, all rights of intellectual property assigned pursuant to the terms hereof. Each Party agrees to assist the other Party in any manner as shall reasonably be requested to evidence, perfect and protect the assignee's rights with respect to the forgoing and to execute and deliver such legal instruments and other documents as the assignee may reasonably request in connection therewith, including, but not limited to, declarations of inventorship, powers of attorney and assignment documents.

9.7 Enforcement of Other Government-Conferred Rights

If either Party becomes aware of any Third Party activity in the Territory that is in violation of government-conferred exclusivity (e.g., an Orphan Drug designation) with respect to the Product in the Field (the "Regulatory Exclusivity Rights"), then that Party shall give prompt written notice to the other Party within ten days after gaining knowledge of such infringement or violation.

9.8 Infringement Defense

(a) If a Third Party asserts that a Patent owned or otherwise controlled by it is infringed by the Development, Manufacture, use or Commercialization of the Product in the Field, the Party first obtaining knowledge of such a claim shall immediately provide the other Party notice of such claim, along with the related facts in reasonable detail.

(b) Neither Party shall agree to any settlement of such an action or proceeding that would have an adverse effect on the other Party's Domain without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

(c) Subject to Section 9.8(d), if a Third Party asserts that any intellectual property, including any Patent, owned or otherwise controlled by it is infringed by the Manufacture of the Product, or by the Development or Commercialization of the Product in the Field, then

(i) Subject to Section 9.8(c)(ii), Pluristem will assume the defense and the expense of defending and/or settling such suit;

(ii) if such infringement arises solely due to:

1. any change to the Product arising from UTC's activities under this Agreement; or

2. the fact that such Patent Covers the use of the Product in the Field, and does not otherwise Cover the Development, Manufacture, use or Commercialization of the Product;

then UTC will assume the defense and the expense of defending and/or settling such suit.

(d) If the basis of such assertion is also a breach of a warranty made by Pluristem under this Agreement, then such defense and the expense of defending and/or settling such suit shall be borne solely by Pluristem pursuant to Section 12.2.

9.9 Information and Updates

Pluristem recognizes that UTC will have a legitimate business interest in obtaining and maintaining patent protection with respect in UTC's Domain. As a result, Pluristem will timely keep the JSC informed as to such patent protection. In addition, on UTC's request, Pluristem will provide updates to the JSC regarding the status of Pluristem's efforts to obtain and maintain patent protection, and other patent-related activities, with respect to UTC's Domain.

9.10 Patent Challenges

(a) During the Term of this Agreement, UTC and its Affiliates hereby covenant and agree not to, directly or indirectly, commence any legal proceeding that challenges the validity, enforceability or ownership of any Pluristem Patents (a "Patent Challenge").

(b) If UTC or its Affiliate directly or indirectly commences any Patent Challenge, Pluristem shall have the right to immediately terminate this Agreement by written notice effective upon receipt by UTC.

9.11 Invention Assignment

Each Party undertakes, at the other Party's expense, to take all reasonable measures, and execute all documents, in a timely fashion, that are, or will be, necessary to fulfill and secure the ownership of Inventions by the Party who is the owner of any such Invention in accordance with the provisions of this Article 9, including the execution by such Party and/or its Representatives, of any written assignment of rights for the benefit of the other Party. Such assignment of Invention shall be without any consideration to the assigning Party. In the event that the assigning Party does not execute the required documents for perfecting the assignment in a timely manner, such assigning Party hereby irrevocably designates and appoints the assignee hereunder and its duly authorized officers and agents as assigning Party's agent and attorney-in-fact, to act on behalf and instead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of Patents or copyright registration thereon with same legal force and effect as if executed by the assigning Party.

Article 10 Representations and Warranties

10.1 Representations, Warranties and Covenants

Each Party represents, warrants and covenants to the other Party the following:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

(c) this Agreement is legally binding upon it and enforceable in accordance with its terms. The execution, delivery, and performance of this Agreement by it does not conflict with any agreement, instrument, or understanding, oral or written, to which it is a Party or by which it is bound, nor violate any material law or regulation of any court, governmental body, or administrative or other agency having jurisdiction over it;

(d) it has not granted and will not during the Term grant any right to any Third Party that would conflict with the rights granted to the other Party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary to perform its obligations hereunder;

(e) it shall comply and cause its employees and consultants who will be undertaking any activities related to this Agreement or the Product to comply, with all Applicable Laws respecting such activities; and

(f) neither its name nor the name of any of its employees or consultants who will be undertaking any activities related to this Agreement or the Product are listed on the debarment list maintained by the FDA pursuant to 21 U.S.C. Sections 335(a) and Section 335(b) and published on the internet at the following address (or any successor address): http://www.fda.gov/ora/compliance_ref/debar/default.htm. In the course of the Development of the Product prior to or pursuant to this Agreement, it has not used, and during the Term will not use, any employee or consultant that is debarred by any Regulatory Authority or, to the best of its knowledge, is the subject of debarment proceedings by any Regulatory Authority. If it learns that its employee or consultant performing on its behalf under this Agreement has been debarred by any Regulatory Authority, or has become the subject of debarment proceedings by any Regulatory Authority, it shall so promptly notify the other Party and shall prohibit such employee or consultant from performing on its behalf under this Agreement.

10.2 Representations and Warranties of Pluristem

Pluristem hereby represents and warrants to UTC that, as of the Effective Date other than information set forth in Pluristem's public filings filed with the US Securities and Exchange Commission:

(a) Pluristem has received no communication from a Regulatory Authority to cause Pluristem, acting reasonably, to expect the denial of a Regulatory Approval for the Product in any indication;

(b) to Pluristem’s knowledge, there are no FDA “field alerts” (or the equivalent in countries outside the United States) pending with respect to the Product;

(c) Pluristem is and was, at all times prior to the Effective Date, the lawful holder of all rights under the Regulatory Approvals and the Regulatory Filings for the Product in the Territory in existence as of the Effective Date;

(d) Pluristem has complied in all material respects with all Applicable Laws in connection with the preparation and submission to the relevant Regulatory Authorities of the Regulatory Approvals and the Regulatory Filings for the Product in existence as of the Effective Date;

(e) nothing has come to the attention of Pluristem which has, or reasonably should have, led Pluristem to believe that either of the Regulatory Approvals or the Regulatory Filings for the Product in the Territory in existence as of the Effective Date are not in good standing with relevant Regulatory Authorities;

(f) Pluristem has filed with the relevant Regulatory Authorities all required notices, amendments and annual or other reports, including Adverse Event reports, with respect to the Regulatory Approvals and the Regulatory Filings for the Product in existence as of the Effective Date;

(g) to Pluristem's knowledge, there is no pending action by relevant Regulatory Authorities in respect of the Regulatory Approvals or the Regulatory Filings for the Product in existence as of the Effective Date;

(h) neither Pluristem nor any of its Affiliates has granted any licenses to, agreed not to sue, or otherwise authorized, any person or entity, under the Pluristem Technology to Develop or Commercialize the Product in the Field, or Manufacture the Product for use in the Field;

(i) Pluristem has granted UTC a license as of the Effective Date to all intellectual property rights that Pluristem Controls that are necessary or useful to Develop, use or Commercialize the Product in the Field, and, subject to the conditions set out herein for the grant of the license set out in Section 2.1(b), to Manufacture the Product for use in the Field, in each case subject to and in accordance with the terms and conditions of this Agreement;

(j) Pluristem owns all right, title and interest in and to the Pluristem Technology free and clear of all encumbrances, security interests, options and licenses, other certain rights of the OCS and under the R&D Law as set forth in this Agreement;

(k) Pluristem is not aware of any claims, actions, suits or proceedings that are pending or threatened, challenging Pluristem's rights to the Product in the Territory, in the Pluristem Technology that is necessary or useful to Develop, Manufacture, use or Commercialize the Product in the Field;

(l) Pluristem has not given any notice in writing to any Third Party asserting infringement by such Third Party with respect to the Product in the Territory of any of the Pluristem Patents or the Pluristem Know-How, and Pluristem is not aware of any such infringements;

(m) other than as disclosed in writing to UTC's counsel prior to the Execution Date, to Pluristem's knowledge, there is no claim, action, suit, or proceeding, pending or threatened by a Third Party alleging that the Development, Manufacture or Commercialization of the Product in the Field infringes or misappropriates any patents or other intellectual property rights of any Third Party;

(n) to Pluristem's knowledge, the Development, Manufacture and Commercialization and use of the Product does not infringe or misappropriate any patents or other intellectual property rights of any Third Party;

(o) Pluristem is not aware of any inventors of Pluristem Patents other than those listed as inventors on applications filed for such Pluristem Patents, and, to Pluristem's knowledge, all inventors listed on Pluristem Patents have assigned all their rights and interest therein to Pluristem or, with respect to any Pluristem Patents licensed by Pluristem from any Third Party, to such Third Party;

(p) Pluristem is not aware of:

(i) any facts that Pluristem believes would result in invalidity or unenforceability of the Pluristem Patents;

(ii) any person (other than persons identified as inventors of inventions disclosed in the Pluristem Patents) who claims to be an inventor of an invention disclosed in the Pluristem Patents;

(iii) any claim, action, suit, or proceeding, pending or, to Pluristem's knowledge, threatened, that any of the Pluristem Patents is invalid or unenforceable; and

(iv) the abandonment, disclaimer (other than with respect to terminal disclaimers) or expiration of any of the Pluristem Patents due to failure to timely pay applicable maintenance and renewal fees;

(q) no patent application within the Pluristem Patents is the subject of any pending interference, opposition, cancellation, protest, or other challenge or adversarial proceeding in the Territory;

(r) Pluristem has responded in good faith to all inquiries of UTC for information relating to all toxicology studies, clinical data, manufacturing process data and other information in its possession or control with respect to the Product that is material and would be reportable to the FDA under 21 C.F.R. 200 et. seq., and has not withheld any such information that would have a materially adverse effect on the Development or Commercialization of the Product in the Field; and

(s) Pluristem Therapeutics Inc. is the sole owner of all legal and beneficial interests in Pluristem Ltd. free and clear of all encumbrances, security interests, options and the like.

10.3 Disclaimer

UTC UNDERSTANDS THAT THE PRODUCT FOR USE IN UTC'S DOMAIN IS THE SUBJECT OF ONGOING CLINICAL RESEARCH AND DEVELOPMENT AND THAT PLURISTEM CANNOT ENSURE THE SAFETY OR USEFULNESS OF PRODUCT FOR USE IN UTC'S DOMAIN. PLURISTEM MAKES NO REPRESENTATION OR WARRANTY EXCEPT AS SET FORTH IN THIS ARTICLE 10 CONCERNING ITS PATENTS OR INFORMATION, INCLUDING THE VALIDITY OR SCOPE OF ITS PATENTS OR THAT THE MANUFACTURE, USE, SALE, OFFER FOR SALE, OR IMPORTATION OF PRODUCT WILL NOT INFRINGE THE PATENTS OF THIRD PARTIES. PLURISTEM MAKES NO WARRANTY OF ANY PRODUCT'S MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Article 11 Confidentiality

11.1 Treatment of Confidential Information

Except as provided below, the Parties agree that during the Term, and following termination or expiration thereof, each Party (the "**Receiving Party**") shall (a) maintain Confidential Information of the other Party (the "**Disclosing Party**") in confidence to the same extent and with the same degree of care as the Receiving Party maintains its own proprietary industrial information of similar kind and value (but at a minimum each Party shall use commercially reasonable efforts), (b) not disclose such Confidential Information to any Third Party without prior written consent of the Disclosing Party, except for disclosures permitted by the rest of this Article 11 or as otherwise approved by the JSC, and (c) not use such Confidential Information for any purpose except those permitted by this Agreement or the Manufacturing and Supply Agreement.

11.2 Exceptions

Notwithstanding the foregoing, the Receiving Party shall have no such confidentiality obligations with respect to any portion of the Confidential Information of the Disclosing Party that:

(a) at the time of disclosure by the Disclosing Party to the Receiving Party, was generally available to the public, or after such disclosure, becomes generally available to the public through no fault attributable to the Receiving Party; or

(b) was known to the Receiving Party as evidenced by written documents, without obligation to keep it confidential, prior to when it was received from the Disclosing Party; or

(c) is subsequently disclosed to the Receiving Party, without obligation to keep it confidential, by a Third Party lawfully in possession thereof and having the right to so disclose; or

(d) has been independently developed by employees of the Receiving Party, as demonstrated by the Receiving Party by competent written proof, who do not have access to or knowledge of such Confidential Information.

The Receiving Party shall have the burden of proof of qualifying to any of the foregoing exceptions which should be established by written records.

11.3 Authorized Disclosures

Nothing in this Agreement shall prohibit the Receiving Party from disclosing Confidential Information of the other Party, as well as the terms and conditions of this Agreement:

(a) to the Receiving Party's Affiliates, employees, agents, consultants, contractors, and distributors, and to the employees, agents, consultants, contractors, and distributors of the receiving Party's Affiliates, who have a need to know such Confidential Information to assist the receiving Party with the activities contemplated or required of it by this Agreement and who are subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the receiving Party pursuant to Section 11.1; provided that the term of such obligations may be reduced so as to be commercially reasonable based on the circumstances; and provided further that each Party shall each remain responsible for any failure by its Affiliates, and its and its Affiliates' employees, agents, consultants, contractors, and distributors, to treat such Confidential Information as required under this Section 11.3;

(b) to professional advisors bound by a duty of confidentiality;

(c) to Receiving Party's investors and potential investors, acquirers, or merger candidates bound by a duty of confidentiality;

(d) to Receiving Party's clinical investigators and sublicensees and potential clinical investigators and potential sublicensees bound by a duty of confidentiality; or

(e) to the extent required by court order or Applicable Law, provided that the Receiving Party provides the other Party prior written notice of the required disclosure and takes reasonable steps to limit such disclosure to the minimum required amount and to obtain, or cooperate with the other Party in obtaining, a protective order or other similar order requiring that such Confidential Information be used only for the purposes required by such court order, law, or regulation.

Notwithstanding the foregoing, either Party may disclose without any limitation such Party's U.S. federal income tax treatment and the U.S. federal income tax structure of the transactions relating to such Party that are based on or derived from this Agreement, as well as all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or tax structure, except to the extent that nondisclosure of such matters is reasonably necessary in order for a Party to comply with Applicable Law.

11.4 Securities Filings

Subject to the Securities Act of 1933, as amended, the Exchange Act, or any other applicable securities law: (a) if either Party proposes to file with the US Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document which describes this Agreement under the Securities Act of 1933, as amended, the Exchange Act, or any other applicable securities law, such Party shall notify the other Party of such intention and shall provide, to the extent practicable, such other Party with a copy of relevant portions of the proposed filing reasonably prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto; and (b) each Party shall have a right to provide comments in a timely manner on any portion of any such proposed filing of the other Party that describes this Agreement prior to the filing thereof.

11.5 Publicity

The Parties agree that Pluristem's and UTC's public announcement of the execution of this Agreement shall be substantially in the form of the press release attached as Exhibit 11.5 and they shall cooperate in the issuance thereof as soon as practicable after the execution of this Agreement unless they agree otherwise. In addition, the Parties recognize that each Party may from time to time desire to issue additional press releases and make other public statements or disclosures regarding the subject matter of this Agreement. Such publication shall be permitted without the other Party's consent to the extent that such additional releases or statements that do not contain information beyond that which is included in the press release attached as Exhibit 11.5 or in subsequent press releases approved by both Parties. Any other publication, news release or other public announcement relating to this Agreement or to the performance hereunder shall first be reviewed and approved by both Parties, which approval shall not be unreasonably withheld. Notwithstanding anything else in this Article 11, any disclosure which is required by law or the rules of a securities exchange, as advised by the disclosing Party's counsel, may be made without the prior consent of the other Party, although the other Party shall be given prompt written notice of any such legally required disclosure and to the extent practicable shall provide the other Party an opportunity to comment on the proposed disclosure.

11.6 Publication

(a) Each Party agrees that it shall not publish or present to the public the results of any non-clinical scientific studies or clinical trials related to the Field without the opportunity for prior review by the other Party. If a Party (the "Publishing Party") wishes to publish or to present to the public such results, then it shall provide the other Party (the "Non-Publishing Party") the opportunity to review any of the Publishing Party's proposed abstracts, manuscripts or presentations (including verbal presentations) regarding the Product at least thirty (30) days prior to the intended date of submission for publication. Neither Party shall have the right to publish or present to the public Confidential Information of the other Party, except as permitted under Sections 11.2 and 11.3.

(b) It is understood that a Detail of the Product in the Field shall not be considered to be publication or presentation to the public and shall therefore not be subject to the requirements of Section 11.6(a).

11.7 Patient Information

The Parties shall abide by Applicable Laws concerning the confidentiality or protection of patient identifiable information and/or patients' protected health information, as defined by U.S. C.F.R. Part 160 or personal data as defined by EU Directive 95/46/EC or any other applicable legislation in any jurisdiction of the Territory, in the course of their performance under this Agreement.

11.8 Confidentiality Agreement

Disclosures of information made by the Parties pursuant to the Confidentiality Agreement are deemed to have been made pursuant to this Agreement and subject to this Article 11. The Confidentiality Agreement is hereby terminated as of the Effective Date and of no further force or effect, except with respect to any breach of the Confidentiality Agreement prior to the Effective Date.

Article 12 Indemnification

12.1 Indemnification by UTC

Subject to Section 12.4, UTC agrees to defend any and all Pluristem Indemnitees at UTC's cost and expense, and shall indemnify and hold harmless the Pluristem Indemnitees from and against any liabilities, losses, costs, damages, fees, or expenses (including reasonable legal expenses and attorneys' fees incurred by the Pluristem Indemnitees until such time as UTC has acknowledged and assumed its indemnification obligation hereunder with respect to a Claim) payable to a Third Party (collectively, "Losses") arising out of any claim, action, lawsuit, or other proceeding (collectively, "Claims") brought against any Pluristem Indemnitee by a Third Party to the extent resulting directly or indirectly from:

(a) the Development, Manufacture, use, or Commercialization of the Product for use in the Field by the UTC Indemnitees;

(b) any infringement of any Third Party intellectual property rights as contemplated in Section 9.8(c)(ii);

(c) the negligence or willful misconduct of the UTC Indemnitees;

(d) any material breach by UTC of any of its representations, warranties, covenants or obligations pursuant to this Agreement or the Manufacturing and Supply Agreement;

(e) any violation of Applicable Law by the UTC Indemnitees; or

(f) the breach of this Agreement, including the breach of the terms of any licenses granted by Pluristem and contained herein, by any sublicensee of UTC;

except to the extent such Losses result from activities for which Pluristem must indemnify the UTC Indemnitees pursuant to Section 12.2.

12.2 Indemnification by Pluristem

Subject to Section 12.4, Pluristem agrees to defend the UTC Indemnitees, at Pluristem's cost and expense, and shall indemnify and hold harmless the UTC Indemnitees from and against any Losses arising out of any Claims brought against any UTC Indemnitee by a Third Party to the extent resulting directly or indirectly from:

(a) the Development, Manufacture, use, or Commercialization of the Product by the Pluristem Indemnitees for use in Pluristem's Domain and the Manufacture of the Product by the Pluristem Indemnitees for use in the Field;

(b) any infringement of any Third Party intellectual property rights as contemplated in Section 9.8(c)(i);

(c) the negligence or willful misconduct of the Pluristem Indemnitees;

(d) any material breach by Pluristem of any of its representations, warranties, covenants or obligations pursuant to this Agreement or the Manufacturing and Supply Agreement; or

(e) any violation of Applicable Law by the Pluristem Indemnitees;

except to the extent such Losses result from activities for which UTC must indemnify Pluristem pursuant to Section 12.1.

12.3 Allocation of Responsibility

With respect to any Claim for which Pluristem has an obligation to UTC or any UTC Indemnitee pursuant to Section 12.2 and UTC has an obligation to Pluristem or any Pluristem Indemnitee pursuant to Section 12.1, each Party shall indemnify each of the other Party and any of such Party's Indemnitees for its Losses to the extent of its responsibility, relative to the other Party, for the facts underlying the Claim.

12.4 Procedure

(a) A Party believing that it is entitled to indemnification under Section 12.1 or Section 12.2 (an "Indemnified Party") shall give prompt written notification to the other Party (the "Indemnifying Party") of the commencement of any Claim for which indemnification may be sought or, if earlier, upon the assertion of any such Claim by a Third Party (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a Third-Party Claim as provided in this Section 12.4 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually prejudiced as a result of such failure to give notice). Within thirty (30) days after delivery of such notification, the Indemnifying Party shall, upon written notice thereof to the Indemnified Party, assume control of the defense of such Claim with counsel reasonably satisfactory to the Indemnified Party. If a Party believes that a Claim presented to it for indemnification is one as to which the Party seeking indemnification is not entitled to indemnification under Section 12.1 or Section 12.2, it shall so notify the Party seeking indemnification.

(b) The Indemnified Party may participate in such defense at its own expense.

(c) The Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the defense against any such Claim, including making available to the Indemnifying Party any books, records or other documents within its control that are necessary for such defense. All Reasonable Costs incurred in connection with the Indemnified Party's cooperation will be borne by the Indemnifying Party.

(d) The Indemnifying Party shall keep the other Party advised of the status of such Claim and the defense thereof and shall consider recommendations made by the Indemnified Party with respect thereto.

(e) The Indemnified Party shall not agree to any settlement of such Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnifying Party shall not agree to any settlement of such Claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto or that imposes any liability or obligation on the Indemnified Party or adversely affects the Indemnified Party without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld.

12.5 Insurance

During the Term and for five (5) years thereafter, each Party shall maintain, at its sole expense, such types and amounts of insurance coverage as are appropriate and customary in the pharmaceutical industry in light of the nature of the activities to be performed by such Party hereunder.

12.6 No Consequential or Punitive Damages

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT FOR DAMAGES FOR BREACHES OF OBLIGATIONS OF CONFIDENCE, NEITHER PARTY WILL BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, OR FOR LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES.

Article 13 Term and Termination

13.1 Term

Unless earlier terminated or extended in accordance with the terms of this Article 13, the term of this Agreement shall begin on the Effective Date and will continue until the last to occur of:

(a) the expiration, lapse, cancellation, abandonment or invalidation of the last Valid Claim covering the Commercialization of the Product in UTC's Domain;

(b) expiration of any government-conferred exclusivity respecting the use of the Product in UTC's Domain;

(c) the date on which the Parties do not have any Product under Development pursuant to this Agreement; and

(d) **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**;

(the "Term").

13.2 Unilateral Termination by UTC

During the Term, UTC shall have the unrestricted and absolute right to terminate this Agreement at any time and for any reason or without reason forthwith upon written notice to Pluristem, which right may be exercised in UTC's absolute discretion. In such event, UTC shall pay Pluristem any and all reasonable costs and expenses of winding down any non-cancellable (without penalties) commitments made by Pluristem, acting reasonably, solely for the purposes of making possible Pluristem's performance of its obligations under this Agreement prior to the date of termination, including in the performance of Pluristem's obligations hereunder for the Development or Manufacture of Products.

13.3 Material Breach

(a) If a Party believes that the other Party is in material breach of this Agreement or the Manufacturing and Supply Agreement, then such Party may deliver notice of such breach to the allegedly breaching Party. In such notice, the non-breaching Party shall identify the actions or conduct that it wishes the allegedly breaching Party to take for an acceptable and prompt cure of such breach; provided that such identified actions shall not be binding upon the allegedly breaching Party with respect to the actions that it may need to take to cure such breach. The allegedly breaching Party shall have thirty (30) days either to cure such breach or, if the cure cannot be reasonably effected within such thirty (30) day period, to deliver to the non-breaching Party a plan for curing such breach which is reasonably sufficient to effect a cure. Following delivery of such plan, the breaching Party shall use Commercially Reasonable Efforts to carry out the plan and cure the breach in a timely manner.

(b) If the Party receiving notice of breach fails to cure such breach within the thirty (30) day period, or if the proposed corrective plan or the actions being taken to carry it out are not commercially practicable, the non-breaching Party may give notice of termination of this Agreement upon fifteen (15) days advance written notice. Such notice shall effectively terminate this Agreement upon expiration of such fifteen (15) day period, subject to Section 13.3(c).

(c) If a Party gives notice of termination under this Section 13.3, and the other Party disputes whether such notice was proper, or the Parties disagree as to whether the breaching Party has cured such breach within the applicable time period under Section 13.3(a), or if the proposed corrective plan or the actions being taken to carry it out are not commercially practicable, then the issue of whether this Agreement has been terminated shall be resolved in accordance with Article 14. If, as a result of such dispute resolution process, it is determined that the notice of termination was proper and that the breaching Party failed to cure such breach within the applicable time period under Section 13.3(a), then such termination shall be deemed to have been effective upon expiration of the time period provided in Section 13.3(b). If, as a result of such dispute resolution process, it is determined that the notice of termination was improper, or the proposed corrective plan or the actions being taken to carry it out are commercially practicable, then no termination shall have occurred and this Agreement shall be deemed to have remained in effect.

13.4 Consequences of Expiration or Termination

(a) **Upon Expiry of the Term Pursuant to Section 13.1**. Upon expiry of this Agreement pursuant to Section 13.1:

(i) the licenses granted to UTC in Article 2 shall remain in effect, but shall convert to fully paid, non-exclusive, sublicenseable and assignable licenses;

(ii) if Pluristem is continuing to Manufacture the Product for exploitation in Pluristem's Domain, the Parties will discuss the possibility of Pluristem continuing to supply UTC with the Product in the Field under the Manufacturing and Supply Agreement or a replacement therefor; and

(iii) all UTC Confidential Information shall be subject to Section 13.4(d).

(b) Upon Termination of this Agreement by UTC Pursuant to Section 13.2, or by Pluristem Pursuant to Section 13.3. Upon termination of this Agreement by UTC pursuant to Section 13.2 or by Pluristem for material breach by UTC pursuant to Section 13.3:

(i) the licenses granted to UTC under this Agreement shall terminate, and, after a wind-down period to be mutually agreed by the Parties, acting reasonably, UTC shall cease all Development and Commercialization activities;

(ii) UTC shall deliver to Pluristem or destroy any and all promotional materials for the Product then in possession of UTC and/or its Affiliates. Pluristem shall have the right to use all aspects of UTC's promotional materials in connection with the Commercialization of the Product in UTC's Domain, other than the Corporate Marks of UTC;

(iii) UTC hereby grants to Pluristem, under any and all UTC Patents and UTC Know-How, a fully paid, non-exclusive, sublicenseable and assignable license to Develop, Manufacture, use and Commercialize the Product in the Field in the Territory;

(iv) UTC hereby grants to Pluristem full and exclusive ownership any Regulatory Filings and Regulatory Approvals obtained for the Product in the Field in the Territory, and, notwithstanding anything else in this Agreement, the full ownership of all Information Controlled by UTC arising from any clinical trials conducted as part of the UTC Development Activities, provided that Pluristem hereby grants UTC a fully paid, non-exclusive, sublicenseable and assignable license to use and exploit same for all purposes. Nothing in the foregoing assignment shall assign any rights to any Inventions arising from such activities or data, or the analysis of same by or on behalf of UTC;

(v) if UTC is then a party to any agreements with Third Party independent contractors for the Product in the Field, it shall cooperate with Pluristem to enable Pluristem to obtain if it wishes to in its sole discretion, the benefit of such agreements as necessary to enable Pluristem to exercise its rights under this Article 13, including by assigning such agreements to Pluristem where reasonably practicable. Pluristem shall use Commercially Reasonable Efforts to accept the benefit of such agreements, including by way of assignment; and

(vi) all Pluristem Confidential Information shall be subject to Section 13.4(d).

(c) Upon Termination of this Agreement by UTC Pursuant to Section 13.3 or 16.2(b). Upon Termination of this Agreement by UTC pursuant to Section 16.2(b), or by UTC for material breach of Pluristem pursuant to Section 13.3:

(i) the consequences set out in Sections 13.4(b)(i), 13.4(b)(ii) and 13.4(b)(v) shall apply; and

(ii) all Confidential Information of both Parties shall be subject to Section 13.4(d).

(d) **Return of Confidential Information**. Upon the early termination of this Agreement, upon the request of the non-defaulting Party, the other Party will promptly return to the non-defaulting Party or destroy all material embodying Confidential Information in its possession or under its control, including all copies thereof, except for a single copy retained solely for the purpose of ensuring compliance with the terms of this Agreement.

13.5 Survival

The rights and obligations of the Parties under the following provisions of this Agreement shall survive any expiration or termination of this Agreement: Article 1, Sections 3.6, Section 5.6(a), Article 8 (solely to the extent that any amounts payable at the time of expiry or earlier termination remain unpaid (provided that Section 8.4 shall survive for a period of two years following expiry or earlier termination of this Agreement; and Section 8.7 shall survive only for the period set forth therein) but not including Section 8.1(b) if the reason for termination is breach of Section **Error! Reference source not found.**), Sections 9.1 and 9.1(e), Article 10, Article 11 (for the period set forth in Section 11.1), Sections 12.1, 12.2, 12.4, 12.5 (for the period set forth in Section 12.5), 12.6, 13.4 (as applicable), 13.5 and 13.6, Article 14 and Article 16.

13.6 No Waiver of Remedies

Expiration or termination of this Agreement shall not preclude either Party from (a) claiming any other damages, compensation or relief that it may be entitled to upon such expiration or termination, (b) any right to receive any amounts accrued under this Agreement prior to the expiration or termination date but which are unpaid or become payable thereafter and (c) any right to obtain performance of any obligation provided for in this Agreement which shall survive expiration or termination.

Article 14 Dispute Resolution

14.1 Disputes

The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to either Party's rights and/or obligations hereunder. It is the desire of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to arbitration or litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Article 14 if and when a dispute arises under this Agreement. Either Party may refer a dispute under this Agreement to the Parties' Alliance Managers. If the Alliance Managers are unable to resolve any such dispute within sixty (60) days after such dispute is submitted to it, either Party may, by written notice to the other Party, have such dispute referred to their respective executive officers designated below or their successors, for attempted resolution by good faith negotiations within forty-five (45) days after such notice is received. Such designated officers are as follows:

For Pluristem: Zami Aberman, Chief Executive Officer, or his direct report

For UTC: Roger A. Jeffs, Ph.D., or his direct report

In the event the designated officers are not able to resolve such dispute within such forty-five (45) day period after receipt of written notice, then such dispute (other than a matter within the final decision-making authority of a Party as set forth in Section 3.4(c)) shall, at the election of either Party, be decided in accordance with the provisions of Section 14.2.

14.2 Governing Law; Dispute Resolution

(a) This Agreement shall be construed and interpreted in accordance with the laws of the State of New York, without regard to any conflicts of law principles that would provide for the application of the laws of another jurisdiction.

(b) Unless otherwise agreed by the Parties, all actions and proceedings relating to Patents and non-disclosure, non-use and maintenance of Confidential Information shall be heard and determined in any New York State or federal court sitting in the City of New York, County of Manhattan, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive any defense of an inconvenient forum to the maintenance of any such action or proceeding.

(c) Subject to Section 14.2(b), if the Parties are unable resolve a given dispute pursuant to Section 14.1, either Party may have the given dispute settled by binding arbitration in the manner described below.

(d) If a Party intends to begin an arbitration to resolve a dispute arising under this Agreement, such Party shall provide written notice (the "Arbitration Request") to the other Party of such intention and the issues for resolution. From the date of the Arbitration Request and until such time as the dispute has become finally settled, the running of the time periods as to which Party must cure a breach of this Agreement becomes suspended as to the subject matter of the dispute.

(e) Within ten (10) business days after the receipt of the Arbitration Request, the other Party may, by written notice, add additional issues for resolution.

(f) Discovery shall be under the U.S. Federal Rules of Civil Procedure then in effect in the District Court for the Southern District of New York. The Arbitration shall be held in the City of New York, under the rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted by three (3) arbitrators who are knowledgeable in the subject matter at issue in the dispute. One (1) arbitrator will be selected by UTC, one (1) arbitrator will be selected by Pluristem, and the third arbitrator will be selected by mutual agreement of the two (2) arbitrators selected by the Parties. The arbitrators may proceed to an award, notwithstanding the failure of either Party to participate in the proceedings. The arbitrators shall, within fifteen (15) calendar days after the conclusion of the arbitration hearing, issue a written award and statement of decision describing the essential findings and conclusions on which the award is based, including the calculation of any damages awarded. The arbitrators shall be authorized to grant any temporary, preliminary or permanent equitable remedy or relief the arbitrators deem just and equitable and within the scope of this Agreement, including an injunction or order for specific performance, or relief from the payment or other obligations hereunder or the escrow of any payments otherwise payable hereunder. The award of the arbitrators shall be the sole and exclusive remedy of the Parties. Judgment on the award rendered by the arbitrators may be enforced in any court having competent jurisdiction thereof, subject only to revocation on grounds of fraud or clear bias on the part of the arbitrators. Notwithstanding anything contained in this Section 14.2 to the contrary, each Party shall have the right to institute judicial proceedings against the other Party or anyone acting by, through or under such other Party, in order to enforce the instituting Party's rights hereunder through specific performance, injunction or similar equitable relief.

(g) Each Party shall bear its own attorneys' fees, costs, and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; provided, however, that the arbitrators shall be authorized to determine whether a Party is the prevailing Party, and if so, to award to that prevailing Party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges and travel expenses), and/or the fees and costs of the arbitrators. Absent the filing of an application to correct or vacate the arbitration award as permitted by applicable law, each Party shall fully perform and satisfy the arbitration award within fifteen (15) days of the service of the award.

(h) By agreeing to this binding arbitration provision, the Parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute between the Parties were determined by litigation in court, including the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal, and a right to invoke formal rules of procedure and evidence.

(i) Subject to the rights of set-off between the Parties set out in this Section, or as may be otherwise ordered by the arbitrators, during the period while any dispute is unresolved and subject to arbitration as set forth above, Pluristem shall continue to be entitled to receive payment in a timely manner and in accordance with the terms of this Agreement. In the event that Pluristem is in default of any obligation to pay a Sum Certain to UTC under this Agreement or any other agreement, absent a Legitimate Dispute, UTC shall be entitled, in addition to any other remedies available to it, to set-off and deduct an amount equal to the Sum Certain owing by Pluristem to UTC at such time. For the purposes of this Section, a "Sum Certain" means an amount of money Pluristem is obligated to pay UTC under this Agreement or any other agreement, and a "Legitimate Dispute" means a dispute regarding an obligation of Pluristem to pay UTC a sum of money under this Agreement or another agreement which Pluristem is legitimately disputing in good faith, and is pursuing a resolution to such dispute in good faith pursuant to arbitration as set forth above.

Article 15 Condition to Closing: R&D Act

15.1 Consent of OCS

Pluristem shall, within seven (7) business days after the Execution Date, request from the OCS any consent required from the OCS pursuant to the R&D Act and any undertakings required of it under the R&D Act and Pluristem's undertakings towards the OCS with respect to the subject matter of this Agreement, which request shall specifically request consent to the grant of license to Manufacture Products in the event of a Failure to Supply under this Agreement or the Manufacturing and Supply Agreement. The Parties will cooperate with one another to the extent necessary in the preparation of any such request. The Parties hereto commit to instruct their respective counsel to cooperate with each other and use good faith, reasonably diligent efforts to facilitate and expedite the identification and resolution of any issues arising with respect to such request, and the obtaining of such consent. Such good faith, reasonably diligent efforts shall include counsel's undertaking to keep each other appropriately informed of communications received from and submitted to personnel of the OCS; and, on the part of Pluristem, the payment of all fees and expenses charged or levied by the OCS associated with any consent, and in particular, the repayment, acceleration or increase in any payments owed to the OCS by Pluristem as a condition of the granting of such consent. The costs and expenses incurred in connection with such request shall be paid by the Party incurring such costs and expenses, except that Pluristem shall be responsible for all fees and expenses charged or levied by the OCS.

15.2 Satisfaction of Conditions; Effective Date

Except for the specific provisions expressly identified in Section 15.3, this Agreement shall not be effective until such time as the consent of the OCS has been obtained and the Agreement has become effective pursuant to this Section 15.2. Immediately at the time when both Parties have notice that all necessary OCS consents have been obtained, this Agreement shall be effective automatically in its entirety (the date of such effectiveness, the "**Effective Date**").

15.3 Portions of Agreement Effective as of Execution Date

Notwithstanding Section 15.2, the following provisions of this Agreement shall be in full force and effect in accordance with their terms as of the Execution Date: Article 1, Article 15 and Article 16.

15.4 Conduct of Pluristem's Business

From the Execution Date until the Effective Date, unless this Agreement is earlier terminated, Pluristem shall: (i) conduct its business in the ordinary course of business, (ii) shall act reasonably in the prosecution and maintenance of the Pluristem Patents, and (iii) shall not willfully take any action or willfully omit any action that would cause any of Pluristem's representations and warranties contained in Article 10 to be breached.

15.5 Non-Performance of Condition

Notwithstanding anything else in this Agreement, if, sixty (60) days after the Execution Date, the condition set out in Section 15.1 shall have been neither fulfilled nor waived by UTC, then this Agreement shall terminate and neither Party shall have any rights or obligations hereunder, all to the same effect as if the Parties had never entered into this Agreement, and all without prejudice to any rights and obligations of the Parties under any other agreements between the Parties.

15.6 Nature of Conditions

The Parties acknowledge and agree that although this Agreement and the rights and obligations of the Parties under this Agreement are subject to fulfillment or waiver of the condition set forth in this Article 15, this condition is not a condition to there being a binding agreement between the Parties, and until the time limited for the fulfillment or waiver of such condition has expired, this Agreement is not void, voidable, revocable or otherwise capable of being terminated, by either of the Parties, by reason only that any such condition has been neither fulfilled nor waived.

Article 16 Miscellaneous

16.1 Entire Agreement

This Agreement and the Manufacturing and Supply Agreement, including the exhibits hereto and thereto, constitute the entire understanding between the Parties with respect to the subject matter contained herein and supersedes any and all prior and contemporaneous agreements, understandings and arrangements whether oral or written between the Parties relating to the subject matter hereof, including the Confidentiality Agreement.

16.2 Assignment; Change of Control

(a) A Party may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the non-assigning Party, and any attempted assignment without such consent shall be null and void. Notwithstanding the foregoing, and subject to Section 16.2(b), either Party may assign this Agreement to (i) its successor-in-interest in connection with the transfer or sale of all or substantially all of the business of such Party, whether by acquisition, merger, sale of stock, sale of assets or similar transaction; or (ii) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observation by such Affiliate of all such duties and obligations. This Agreement shall be binding upon and, subject to the terms of this Section 16.2, inure to the benefit of a Party's successors and permitted assigns.

(b) Notwithstanding Section 16.2(a), in the event of a Change of Control, Pluristem shall provide a notice with respect to the consummation of such Change of Control forthwith following consummation of such event. If UTC gives Pluristem written notice of termination of this Agreement pursuant to this Section 16.2 within six months of the date of such notice, such notice shall terminate this Agreement effective on such notice with the consequences set out in Section 13.4(c). Any public announcement filed by Pluristem with the US Securities and Exchange Commission shall constitute a notice for the purpose of this Section. If, at anytime following a Change of Control, Pluristem or any of its Affiliates shall, directly or indirectly, alone or in collaboration, partnership or any other form of engagement with any Third Party (including joint ownership or otherwise), Develop or Commercialize in any country in the Territory any product in the Field, then UTC shall have the right to terminate this Agreement by providing written notice to Pluristem, which termination shall thereupon take immediate effect with the consequences set out in Section 13.4(c).

(c) In the event Change of Control, Pluristem shall not be required to share or disclose any Information that becomes in the Control of Pluristem due to the event of Change of Control.

16.3 Amendments

No amendment, change, modification or alteration of the terms and conditions of this Agreement shall be binding upon either Party unless in writing and signed by both Parties.

16.4 Bankruptcy

All rights and licenses granted under or pursuant to this Agreement by Pluristem or UTC are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the Parties, as licensees of such rights under this Agreement, will retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code, the Party hereto that is not a Party to such proceeding will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in their possession, will be promptly delivered to them (a) upon any such commencement of a bankruptcy proceeding upon their written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

16.5 Non-Waiver

The waiver by either of the Parties of any breach of any provision hereof by the other Party shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

16.6 Severability

If and to the extent that any court or tribunal of competent jurisdiction holds any of the terms or provisions of this Agreement, or the application thereof to any circumstances, to be invalid or unenforceable in a final nonappealable order, the Parties shall use their best efforts to reform the portions of this Agreement declared invalid to realize the intent of the Parties as fully as practical, and the remainder of this Agreement and the application of such invalid term or provision to circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each of the remaining terms and provisions of this Agreement shall remain valid and enforceable to the fullest extent of the law.

16.7 Notice

Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by international courier or facsimile confirmed thereafter by any of the foregoing, to the Party to be notified at its address(es) given below, or at any address such Party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earlier of: (a) the date of actual receipt; (b) if mailed, five (5) calendar days after the date of postmark; or (c) if delivered by international courier, the next business day the overnight courier regularly makes deliveries in the country of the recipient:

If to Pluristem, as follows:

Pluristem Ltd. c/o
Pluristem Therapeutics Inc.
MATAM Advanced Technology Park
Building No. 20, Haifa, Israel 31905
Facsimile: +972-74-710-7172
Attn: Zami Aberman, CEO

With a copy to:

Pluristem Therapeutics Inc.
MATAM Advanced Technology Park
Building No. 20, Haifa, Israel 31905
Facsimile: +972-74-710-7173
Attn: Yaky Yanay, CFO

If to UTC, as follows:

United Therapeutics Corporation
55 T.W. Alexander Drive
P.O. Box 14186
Research Triangle Park, NC 27709
Attention: Roger A. Jeffs, Ph.D.
Facsimile: 919-485-8352

With copies to:

United Therapeutics Corporation
1040 Spring Street, Silver Spring,
Maryland 20910
Attention: John Ferrari, CFO
THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

United Therapeutics Corporation
1735 Connecticut Avenue, N.W.
Washington, D.C. 20009
Attention: Paul A. Mahon, General Counsel
THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

or to such other address as to which the Party has given written notice thereof. Such notices shall be deemed given upon receipt.

16.8 Further Assurances

Each Party shall, at its own expense, furnish, execute, and deliver all documents and take all actions as may reasonably be required to effect the terms and purposes of this Agreement.

16.9 Force Majeure

No failure or omission by the Parties in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement nor shall it create any liability if the same shall arise from any cause or causes beyond the reasonable control of the affected Party, including the following, which for purposes of this Agreement shall be regarded as beyond the control of the Party in question: acts of nature; fire; storm; flood; earthquake; accident; war; rebellion; insurrection; riot; invasion; strikes; and lockouts or the like; provided that the Party so affected shall use its best efforts to avoid or remove such causes or nonperformance and shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

16.10 Independent Contractors

It is understood that both Parties are independent contractors and engage in the operation of their own respective businesses, and neither Party is to be considered the agent or partner of the other Party for any purpose whatsoever, except as otherwise expressly provided in this Agreement. Neither Party has any authority to enter into any contracts or assume any obligations for the other Party or make any warranties or representations on behalf of the other Party. Furthermore, nothing in this Agreement shall be construed as creating a partnership or joint venture among the Parties.

16.11 Performance by Affiliates

The Parties recognize that each Party may perform some or all of its obligations, or exercise some or all of its rights, under this Agreement or the Manufacturing and Supply Agreement through one or more Affiliates of such Party. In each such case, the Party permitting such delegation or exercise by such Affiliate shall remain responsible for and be guarantor of the performance by such Affiliate. Pluristem and UTC shall each cause its respective Affiliates to comply with the provisions of this Agreement in connection with such performance or exercise. In such event, each reference to a Party in this Agreement shall be deemed to include a reference to each Affiliate engaged in such performance or exercise.

16.12 Guarantee of Certain Obligations

Without limiting the effect of Section 16.11:

(a) Pluristem Therapeutics Inc. (“Guarantor”) hereby unconditionally, absolutely and irrevocably guarantees, and covenants to UTC the full performance, observance and satisfaction of any and all obligations, duties and covenants of Pluristem under this Agreement and any agreements executed in connection herewith (the “Guaranteed Obligations).

(b) If any default shall be made in the performance, observance, satisfaction and payment of any of the Guaranteed Obligations, Guarantor covenants and agrees with UTC to perform, observe, satisfy and pay to UTC forthwith any and all of the Guaranteed Obligations in respect of which such default will have occurred and any interest that may be payable thereon pursuant hereto.

(c) The obligations and liabilities of Guarantor hereunder shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim Guarantor may have against Pluristem.

(d) Until there has been full performance, observance, satisfaction and payment of all of the Guaranteed Obligations, the rights of UTC and the obligations of Guarantor under this Section shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired, terminated or prejudiced by, the dissolution, winding-up or other cessation of existence of Pluristem, the amalgamation of Pluristem with another corporation, the appointment of a custodian, liquidator, receiver or trustee in respect of the assets or undertaking, in whole or in part, of Pluristem, any arrangement, bankruptcy, composition, insolvency, liquidation, readjustment, receivership, reorganization or other similar proceeding or occurrence relating to Pluristem, or any assignment by Pluristem for the benefit of creditors.

(e) Guarantor shall not take any action that may adversely affect UTC's license granted by Pluristem under this Agreement.

16.13 No Third Party Beneficiaries

This Agreement is neither expressly nor impliedly made for the benefit of any Party other than those executing it.

16.14 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, the Parties, intending to be bound hereby, have executed this License Agreement by their duly authorized representatives as of the Effective Date.

Pluristem Ltd.

By: /s/ Zami Aberman

Name: Zami Aberman
Title: CEO

United Therapeutics Corporation

By: /s/ Roger A. Jeffs

Name: Roger A. Jeffs, Ph.D.
Title: President & Chief Operating Officer

Guarantor (solely with respect to its obligations under section 16.12 of the Agreement and in its capacity as such):

Pluristem Therapeutics Inc.

By: /s/ Zami Aberman

Name: Zami Aberman

Title: CEO

Exhibit 1.1(eee): Pluristem Patents

Family 4 Method And Apparatus For Maintenance And Expansion Of Hemopoietic Stem Cells And/Or Progenitor Cells

Country	**Earliest Priority**	**Entry Date**	**Filing Date** **Application No.**	**Issue Date** **Patent No.**	**Publication Date** **Publication No.**
USA PRO			04-Feb-1999 60/118,789		
PCT	04-Feb-1999 60/118,789		04-Feb-2000 PCT/US2000/02688		10-Aug-2000 WO00/46349
USA NP	04-Feb-1999 60/118,789		04-Feb-2000 09/890,401	28-Jun-2005 6,911,201	
USA NP	04-Feb-1999 60/118,789	02-Sep-2008	11-Apr-2005 12/230,566		
Japan NP	04-Feb-1999 60/118,789	06-Aug-2001	04-Feb-2000 2000-597409	04-Jun-2010 4523169	
Canada NP	04-Feb-1999 60/118,789		04-Feb-2000 2,360,664		
Mexico NP	04-Mar-1999 60/118,789	02-Aug-2001	04-Feb-2000 PA/a/2001/007820	03-Dec-2008 262724	

Mexico DIV	04-Feb-1999 60/118,789	02-Dec-2008	04-Feb-2000 MX/a/2008/015398		
Australia NP	04-Feb-1999 60/118,789		04-Feb-2000 22314	31-Jul-2003 759719	
South Africa NP	04-Feb-1999 60/118,789		04-Feb-2000 2001/6483	2001/6483	
Europe NP	04-Feb-1999 60/118,789		04-Feb-2000 00913340.6	16-Dec-2009 1147176	
Europe DIV	04-Feb-1999 60/118,789		04-Feb-2000 10184233.4		
Europe DIV	04-Feb-1999 60/118,789		04-Feb-2000 09174118.1		
USA NP	04-Feb-1999 60/118,789		11-Apr-2005 11/102,623	16-Mar-2010 7,678,573	
USA NP	04-Feb-1999 60/118,789		11-Apr-2005 11/102,625	19-May-2009 7,534,609	

Israel NP	04-Feb-1999 60/118,789		04-Feb-2000 144629	05-Aug-2009 144629	
Russian Federation NP	04-Feb-1999 60/118,789		04-Feb-2000 2001124399	27-Mar-2005 2249039	
New Zealand NP	04-Feb-1999 60/118,789		04-Feb-2000 513303	07-Jul-2003 513303	
India NP	04-Feb-1999 60/118,789		04-Feb-2000 2001/01131	07-Oct-2007 211173	
China NP	04-Feb-1999 60/118,789		04-Feb-2000 00806007.X	16-Jul-2008 ZL00806007.X	1346403 24-Feb-2002
Hong Kong NP	04-Mar-1999 60/118,789	24-Oct-2002	04-Feb-2000 02107728.2	HK1046154	

Family 5 Methods For Cell Expansion And Uses Of Cells And Conditioned Media Produced Thereby For Therapy

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			23-Mar-2006 60/784,769		
USA PRO			26-Sep-2006 60/847,088		
PCT	23-Mar-2006 60/784,769		22-Mar-2007 PCT/IL2007/000380		27-Sep-2007 WO/2007/108003
USA NP	22-Mar-2006 60/784,769	14-Oct-2009	22-Mar-2007 12/225,478		
Mexico NP	23-Mar-2006 60/784,769	22-Sep-2008	22-Mar-2007 MX/a/2008/012085		
Australia NP	23-Mar-2006 60/784,769		22-Mar-2007 2007228341		
South Africa NP	23-Mar-2006 60/784,769		22-Mar-2007 2008/09038	2008/09038	
Europe NP	23-Mar-2006 60/784,769		22-Mar-2007 07713395.7		101861156 13-Oct-2010
Israel NP	23-Mar-2006 60/784,769	21-Sep-2008	22-Mar-2007 194232		
China NP	23-Mar-2006 60/784,769		22-Mar-2007 200780018851.7		101558151 14-Oct-2009
Hong Kong NP	23-Mar-2006 60/784,769	08-Apr-2010	2-Mar-2007 10103472.9		

Russian Federation NP	23-Mar-2006 60/784,769		22-Mar-2007 2008141894		
Brazil NP	23-Mar-2006 60/784,769	23-Sep-2008	22-Mar-2007 PI0709349-7		
India NP	23-Mar-2006 60/784,769		22-Mar-2007 02256/MUMNP/2008		
Singapore NP	23-Mar-2006 60/784,769		22-Mar-2007 200807095-5		
Korea, Republic of NP	23-Mar-2006 60/784,769	17-Oct-2008	22-Mar-2007 2008-7025460		
USA CIP	22-Mar-2006 60/784,769		22-Mar-2007 13/069,130		
Japan NP	23-Mar-2006 60/784,769	24-Sep-2008	22-Mar-2007 2009-502327	04-Jun-2010 4523169	
Canada NP	23-Mar-2006 60/784,769	18-Sep-2008	22-Mar-2007 2,646,384		

Family 6 Methods for Cell Expansion and Uses of Cells and Conditioned Media Produced Thereby for Therapy

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			19-Sep-2007 60/960,184		
PCT			02-Sep-2008 PCT/IL2008/001185		26-Jun-2009 WO/2009/037690
Israel NP	19-Sep-2007 60/960,184	17-Mar-2010	02-Sep-2008 204566		
USA NP	19-Sep-2007 60/960,184	18-Mar-2010	02-Sep-2008 12/678,756		
Japan NP	19-Sep-2007 60/960,184	19-Mar-2010	02-Sep-2008 2010-525491		
Canada NP	19-Sep-2007 60/960,184	15-Mar-2010	02-Sep-2008 2,699,664		
Mexico NP	19-Sep-2007 60/960,184	18-Mar-2010	02-Sep-2008 MX/a/2010/003019		
Australia NP	19-Sep-2007 60/960,184		02-Sep-2008 2008300185		

South Africa NP	19-Sep-2007 60/960,184		02-Sep-2008 2010/01929	23-Feb-2011 2010/01929	
Europe NP	19-Sep-2007 60/960,184		02-Sep-2008 08789856.5		
Hong Kong NP			29-Dec-2010 10112211.6		
China NP	19-Sep-2007 60/960,184		02-Sep-2008 200880116645.4		
Russian Federation NP	19-Sep-2007 60/960,184	16-Mar-2010	02-Sep-2008 2010109698		
Brazil NP	19-Sep-2007 60/960,184	19-Mar-2010	02-Sep-2008 PI08159467		
India NP	19-Sep-2007 60/960,184	16-Mar-2010	02-Sep-2008 519/MUMNP/2010		
Singapore NP	19-Sep-2007 60/960,184		02-Sep-2008 201001822-4		
Korea, Republic of NP	19-Sep-2007 60/960,184	15-Apr-2010	02-Sep-2008 2010-7008253		
USA NP	19-Sep-2007 60/960,184				

Family 7 Methods of Treating Crohn's Disease

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			27-May-2008 61/071,944		
PCT	27-May-2008 61/071,944		26-May-2009 PCT/IL2009/000527		03-Dec-2009 WO2009/144720
China NP	27-May-2008 61/071,944		26-May-2009 200980129576.5		
Russian Federation NP	27-May-2008 61/071,944		26-May-2009 2010153362		
Australia NP	27-May-2008 61/071,944	09-Dec-2010	26-May-2009 2009252722		

South Africa NP	27-May-2008 61/071,944		26-May-2009 2010/09030		
Europe NP	27-May-2008 61/071,944		26-May-2009 09754339.1		
Canada NP	27-May-2008 61/071,944		26-May-2009 2,725,637		
Brazil NP	27-May-2008 61/071,944	29-Nov-2010	26-May-2009 PI09095411		
USA NP	27-May-2008 61/071,944	01-Feb-2011	26-May-2009 12/994,603		
Israel NP	27-May-2008 61/071,944	28-Nov-2010	26-May-2009 209603		

Family 8 Methods Of Selection Of Cells For Transplantation

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			02-Sep-2008 61/136,374		
PCT	02-Sep-2008 61/136,374		01-Sep-2009 PCT/IL2009/000844		11-Mar-2010 WO/2010/026573
Israel NP	02-Sep-2008 61/136,374	01-Mar-2011	01-Sep-2009 211500		
Europe NP	02-Sep-2008 61/136,374		01-Sep-2009 09737160.3		
USA NP	02-Sep-2008 61/136,374	01-Mar-2011	01-Sep-2009 13/061,605		

Family 9 Adherent Cells From Placenta Tissue And Use Thereof In Therapy

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			02-Sep-2008 61/136,375		
USA PRO			23-Jan-2009 61/202,050		
PCT	02-Sep-2008 61/136,375		01-Sep-2009 PCT/IL2009/000846		11-Mar-2010 WO2010/026575
Europe NP	02-Sep-2008 61/136,375		01-Sep-2009 09737162.9		

India NP	02-Sep-2008 61/136,375	24-Mar-2011	01-Sep-2009 2200/DELNP/2011		
Mexico NP	02-Sep-2008 61/136,375	01-Mar-2011	01-Sep-2009 MX/a/2011/002328		
Singapore NP	02-Sep-2008 61/136,375		01-Sep-2009 NYD		
China NP	02-Sep-2008 61/136,375	29-Apr-2011	01-Sep-2009 NYD		
Australia NP	02-Sep-2008 61/136,375	31-Mar-2011	01-Sep-2009 2009288781		
Israel NP	02-Sep-2008 61/136,375	02-Mar-2011	01-Sep-2009 211525		
Brazil NP	02-Sep-2008 61/136,375	03-Mar-2011	01-Sep-2009 NYD		
Russian Federation NP	02-Sep-2008 61/136,375		01-Sep-2009 NYD		
South Africa NP	02-Sep-2008 61/136,375	03-Mar-2011	01-Sep-2009 2011/01750		
Canada NP	02-Sep-2008 61/136,375	01-Mar-2011	01-Sep-2009 NYD		
USA NP	02-Sep-2008 61/136,375	01-Mar-2011	01-Sep-2009 13/061,538		

Family 10 Adherent Cells From Placenta Tissue And Use Thereof In Therapy

USA PRO			02-Sep-2008 61/136,377		
USA PRO			23-Jan-2009 61/202,049		
PCT	02-Sep-2008 61/136,377		01-Sep-2009 PCT/IL2009/000845		11-Mar-2010 WO/2010/026574
Europe NP	02-Sep-2008 61/136,377		01-Sep-2009 09737161.1		
Israel NP	02-Sep-2008 61/136,377	01-Mar-2011	01-Sep-2009 211501		
USA NP	02-Sep-2008 61/136,377	01-Mar-2011	01-Sep-2009 13/061,656		

Family 11- Adherent Cells From Placenta And Use Of Same In Disease Treatment

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			06-Aug-2010 61/371,459		
PCT	30-Nov-2009 61/272,985		29-Nov-2010 TBA		
USA PRO			30-Nov-2009 61/272,985		

Family 12 Adherent Stromal Cells Derived From Plancentas Of Multiple Donors And Uses Thereof

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			23-Apr-2010 61/327,330		
Country	**Earliest Priority**	**Entry Date**	**Filing Date Application No.**	**Issue Date Patent No.**	**Publication Date Publication No.**
PCT	23-Apr-2010 61/327,330		21-Apr-2011 NYD		

Family 13- Methods And Systems For Harvesting Adherent Stromal Cells

Country	Earliest Priority	Entry Date	Filing Date Application No.	Issue Date Patent No.	Publication Date Publication No.
USA PRO			15-Apr-2011 61/475,761		

Exhibit 1.1(www): Safety Agreement Table of Contents

Exhibit 6.2: Commercial Supply Terms

1. Unless otherwise specified in the Agreement, this Exhibit sets forth material terms and conditions which shall be incorporated into a Manufacturing and Supply Agreement to be negotiated and entered into by the Parties for the Product in accordance with Section 6.2 of the Agreement.

2. Capitalized terms used but not defined in this term sheet shall have the meanings assigned to them in the Agreement.

3. Pluristem will sell, and UTC will buy, UTC's requirements of Product for commercial supply.

4. Supply of Product would be provided in the form of the supply of PLX in accordance with the Specifications, which UTC may finish or have finished by a Representative.

5. The Manufacturing and Supply Agreement will set forth a forecast procedure for Product to be provided thereunder. The forecast procedure will contemplate UTC's needs for reasonable flexibility in forecasting and Pluristem's needs for sufficient information and certainty to reasonably enable it to timely supply UTC.

6. Orders will be placed at a reasonable in advance, given the needs for the Product, the shelf-life of the Product, and the time necessary to obtain raw materials and manufacture Product. UTC will only order Product as it reasonably anticipates it will need for its purposes.

7. The Parties shall adopt a reasonable procedure for arriving at binding commitments for the supply and purchase of the Product.

8. Pluristem will ensure all such Product complies with the Specifications. The Manufacturing and Supply Agreement shall specify the remaining shelf-life upon delivery of Product.

9. The Price of all Product shall be Cost of Goods Sold plus **THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**.

10. In the event of any shortage of Product, Pluristem will allocate product such in accordance with the Agreement.

11. Any changes to the Product in the Field or its Manufacture, including those specific to a particular indication or Applicable Laws or the requirements of any Regulatory Authority shall be agreed to in writing between the Parties, acting reasonably.

12. Pluristem will be responsible for obtaining and maintaining all necessary approvals, licenses and documentation related to the export of Product, including all necessary approvals and documentation related to the master file and the accreditation of manufacturers. Each Party shall provide copies thereof to the other as requested at least 60 days prior to the first scheduled delivery of Product, such provision to be commensurate with the Agreement.

13. UTC will have a reasonable period to test Product for conformance with the Specifications. In the event of any disagreement as to compliance with the Specifications upon delivery, such matter will be determined by an independent third party.

14. Pluristem will have sole regulatory responsibility for all manufacturing matters and will cooperate with UTC with respect thereto.

15. Confidentiality provisions will be included commensurate with those contained in the Agreement.

16. Concurrently with the negotiation of the Manufacturing and Supply Agreement, the parties will develop and agree upon a quality agreement governing the quality and specifications of Product, which agreement shall form a part of the Manufacturing and Supply Agreement and be subject to settlement of its terms in the same manner as the Manufacturing and Supply Agreement.

17. The insurance and indemnity provisions shall be commensurate with the Agreement.

18. The term and termination provisions shall be commensurate with Agreement.

19. The Manufacturing and Supply Agreement shall contain other customary and appropriate provisions including provisions for representations and warranties, and the like, and, subject to the specifics set out in this Exhibit, all such terms to be commercially reasonable and customary for supply agreements in the life sciences context.

Exhibit 6.8: Funded Technology

Any and all Pluristem Technology related to PLX.

Exhibit 8.6: Wire Instructions

THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Exhibit 11.5: Press Release

Pluristem and United Therapeutics Enter into an Exclusive License Agreement to Develop and Commercialize PLX Cells for the Treatment of Pulmonary Hypertension

HAIFA, ISRAEL, June 20, 2011 -- Pluristem Therapeutics Inc. (NasdaqCM: PSTI; TASE: PLTR) today announced that its wholly owned subsidiary, Pluristem Ltd., has entered into an exclusive out-license agreement with United Therapeutics Corporation (NasdaqGS: UTHR) for the use of Pluristem's PLacental eXpanded (PLX) cells to develop and commercialize a cell-based product for the treatment of Pulmonary Hypertension (PH).

Under the terms of the agreement, United Therapeutics will receive exclusive worldwide licensing rights for the development and commercialization of the future product for treating PH patients. Pluristem will retain all manufacturing rights; participate in the pre-clinical and clinical trial activities as well as provide the commercial grade product.

Under the terms of the agreement, United Therapeutics will make an upfront payment of $7 million to Pluristem. Pluristem is eligible to receive regulatory milestone payments and other payments accumulating together with the upfront payment to a total of approximately $55 million and reimbursement of costs of its development and clinical activities. United Therapeutics will bear all the costs of conducting the clinical trials for this indication. Following commercialization, United Therapeutics shall purchase commercial supplies from Pluristem at a specified margin over Pluristem's cost. In addition, United Therapeutics will pay Pluristem specified royalties as a percentage from its gross profits generated from the developed product.

"This is an important milestone for our company, as it exemplifies our belief that Pluristem's PLX cells are a platform technology that can be used for the treatment of numerous diseases. This agreement is in line with our strategy of being a state of the art cell manufacturer while maintaining all the production and Intellectual Property rights for future product candidates", said Zami Aberman, Chairman and CEO of Pluristem. "We are very pleased to partner with United Therapeutics, an expert and a leader in the area of PH, and to cooperate with their talented team to quickly bring this product to market and improve the quality of life of Pulmonary Hypertension patients."

"Our mission to help patients suffering from Pulmonary Hypertension has led us to seek companies exhibiting innovative approaches and cutting edge technology, with whom we could partner for developing new therapies. Pluristem's impressive results of their current clinical trials, their strong intellectual property and unique manufacturing capabilities, convinced us to select Pluristem as our partner in developing an important cell therapy for treating PH", said Roger Jeffs, President and Chief Operating Officer of United Therapeutics. "We are excited to enter into this partnership and to work alongside Pluristem in advancing this exciting platform."

The signing ceremony will be held tomorrow, June 21st at 09:30 Israel time at the Tel Aviv Stock Exchange in the presence of Dr. Roger Jeffs, President and Chief Operating Officer of United Therapeutics, and Mr. Zami Aberman, Chairman and CEO of Pluristem Therapeutics.

Closing of the agreement is subject to certain closing conditions and is expected by the end of August 2011.

# # #

About Pulmonary Hypertension (PH)

Pulmonary Hypertension is the damage that occurs to the pulmonary vessels (leading from the heart to the lungs) when the blood pressure in those vessels is abnormally high. The disease can be secondary to other conditions or unrelated to any identifiable disorder. Approximately 1,000 new cases of this catastrophic disorder are diagnosed annually in the US*.

*National Library of Medicine

About United Therapeutics Corporation

United Therapeutics Corporation (NasdaqGS: UTHR) is a biotechnology company focused on the development and commercialization of unique products to address the unmet medical needs of patients with chronic and life-threatening conditions, including cardiovascular, cancer, and infectious diseases.

About Pluristem Therapeutics

Pluristem Therapeutics Inc. (NasdaqCM: PSTI; TASE: PLTR) is a leading developer of placenta-based cell therapies. The company's patented PLX (PLacental eXpanded) cells drug delivery platform releases a cocktail of therapeutic proteins in response to a host of local and systemic inflammatory diseases. PLX cells are grown using the company’s proprietary 3D micro-environmental technology and are an off-the-shelf product that requires no tissue matching prior to administration. Data from two phase I studies indicate that Pluristem’s first PLX product candidate, PLX-PAD, is safe and potentially effective for the treatment of end stage peripheral artery disease. Pluristem’s pre-clinical animal models have demonstrated PLX cells are also potentially effective in nerve pain and muscle damage, when administered locally, and in inflammatory bowel disease, MS and stroke, when administered systemically.

Pluristem has a strong patent portfolio, GMP certified manufacturing and research facilities, strategic relationships with major research institutions and a seasoned management team.

For more information visit www.pluristem.com, or follow us on Twitter @Pluristem, the content of which is not part of this press release.

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Safe Harbor Statement

This press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and federal securities laws. For example, we are using forward looking statements when we discuss thebelief that our PLX cells are a platform technology that can be used for the treatment of numerous diseases, when we discuss the timing to bring this product to market and its ability to improve the quality of life of Pulmonary Hypertension patients, when we say that closing of the agreement with United Therapeutics is expected by the end of August 2011 and imply that we may receive future payments if our products are commercialized and generate gross profits or when we say that data from two Phase I clinical trials indicate that Pluristem's first PLX product, PLX-PAD, is safe and potentially effective for the treatment of end stage PAD or that Pluristem's pre-clinical animal models have demonstrated PLX cells are also potentially effective in nerve pain and muscle damage when administered locally and in inflammatory bowel disease, MS and stroke when administered systemically. These forward-looking statements are based on the current expectations of the management of Pluristem only, and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: changes in technology and market requirements; we may encounter delays or obstacles in launching our clinical trials; our technology may not be validated as we progress further and our methods may not be accepted by the scientific community; we may be unable to retain or attract key employees whose knowledge is essential to the development of our products; unforeseen scientific difficulties may develop with our process; our products may wind up being more expensive than we anticipate; results in the laboratory may not translate to equally good results in real surgical settings; our patents may not be sufficient; our products may harm recipients; changes in legislation; inability to timely develop and introduce or commercialize new technologies, products and applications; loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of Pluristem to differ materially from those contemplated in such forward-looking statements. Except as otherwise required by law, Pluristem undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risks and uncertainties affecting Pluristem, reference is made to Pluristem's reports filed from time to time with the Securities and Exchange Commission.

Exhibit 10.8

Summary of Directors Ongoing Compensation

As of June 30, 2011 our non-executive officer directors receive cash compensation as follows:

- Annual compensation of $12,500;
- Meeting participation fee of $935 per in-person meeting; and
- For meeting participation by telephone, $435 per meeting.

If the compensation is paid in New Israeli Shekels ("NIS"), the exchange rate of the directors' fees used to calculate the fees will be not less then $4.25 per NIS.

The directors are also entitled to two and a half percent (2.5%) from amounts received by us from non diluting funding and strategic deals.

Exhibit 14.1

Pluristem Therapeutics Inc.
Amended and Restated
Code of Business Conduct and Ethics

Introduction

Ethics are important to Pluristem Therapeutics Inc. (together with its subsidiary, "Pluristem") and its directors, officers and employees (each an "Associate"). Pluristem is committed to the highest ethical standards and to conducting its business with the highest level of integrity.

The Pluristem Code of Business Conduct and Ethics (the "Code") has four primary functions:

- To establish and clearly communicate our standards of business conduct, our ethical principles and our expectations;
- To ensure that business policies and practices continue to be aligned with those standards and principles;
- To establish responsibility for monitoring compliance; and
- To set forth the manner in which perceived violations of ethical principles are to be reported.

The Code applies to all Associates.

Ethics

Pluristem is committed to the ideals of uncompromising honesty and integrity. As a Pluristem Associate you are expected to adhere to the highest standards of ethics; to be honest and ethical in dealing with each other, with shareholders and with customers, vendors and all other third parties.

You also must respect the rights of your fellow Associates and third parties. Your actions must be free from discrimination, libel, slander or harassment. Each person must be accorded equal opportunity, regardless of age, race, sex, sexual preference, color, creed, religion, national origin, marital status, veteran's status, handicap or disability.

Misconduct (any violation of this Code) will be addressed as it is identified with appropriate disciplinary action. Misconduct cannot be excused because it was directed or requested by another. You are expected to alert management whenever an unethical, dishonest or illegal act is discovered or suspected, as further provided for in this Policy.

The following areas frequently give rise to ethical concerns. A violation of the standards contained in this Code will result in corrective action, including possible dismissal.

Should you have any questions concerning this Policy, please direct them to the Chief Financial Officer of Pluristem (the "CFO"). The CFO may consult outside counsel with respect to any issue relating to this Policy.

Conflicts of Interest

Conflicts of interest arise whenever actions are based on interests other than those of Pluristem. You must avoid any personal activity, investment or association that may interfere with using good judgment concerning Pluristem's best interests. You may not exploit your position or relationship with Pluristem for personal gain. You should avoid even the appearance of such a conflict. For example, a conflict of interest may arise if you:

- Cause Pluristem to engage in business transactions with relatives or friends;
- Use information of Pluristem, a customer or supplier for your own personal gain, or the personal gain of relatives or friends;
- Have a financial interest in Pluristem's customers, suppliers or competitors;
- Receive a loan or guarantee of obligations, from Pluristem or from a third party, as a result of your position at Pluristem; or
- Compete, or prepare to compete, with Pluristem while still employed by it.

Employees who are involved in or are aware of a transaction involving any of the relationships described above, must report the transaction to the CFO. Directors and officers shall report such transactions to the Chairman of Pluristem's Audit Committee. All transactions between Pluristem and any employee or member of the Associate's immediate family, or any entity in which such employee or a member of his or her immediate family has a significant financial interest, must be approved by the CFO. Transactions described in the previous sentence between Pluristem and any director or officer or member of such person's immediate family, or any entity in which such person or member of his or her immediate family has a significant financial interest, must be approved by the Board of Directors.

There may be other situations in which a conflict of interest may arise. If you have any questions or concerns about any situation, follow the guidance outlined in the section below on Reporting Ethical Violations.

Public Reporting of Financial and Non-financial Information

Pluristem is a U.S. publicly held company and thus, subject to the Securities Act of 1933, the Securities Exchange Act of 1934 and numerous other laws, rules and regulations promulgated thereunder (the "Securities Laws"). The U.S. Securities and Exchange Commission (the "SEC") requires companies to maintain disclosure controls and procedures designed to ensure that information required by the Securities Laws to be disclosed by publicly held companies is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. It is, therefore, imperative that all disclosures contained in Pluristem's public filings and other public communications are full, fair, accurate, timely and understandable.

Every Associate who participates in the information gathering process for Pluristem's public filings and other public communications is responsible for the timeliness and accuracy of the information contained therein. Those persons having responsibility for particular areas of Pluristem's periodic reports such as the Form 10-K and the Form 10-Q must report to the Board on an ongoing basis the following matters which come to their attention:

- Deviations from or changes to the current public information available for Pluristem;
- Changes in risks, or new risks, to Pluristem as they arc identified; and
- Changes that may affect Pluristem's financial results.

Pluristem has established a separate Disclosure Policy that provides who may communicate information to the press and the financial analyst community. You should review Pluristem's Disclosure Policy and discuss all questions that you may have with the CFO.

Our employees who work in the Financial Department hold an important and elevated role in corporate governance. They are empowered to ensure that shareholder interests are appropriately balanced, protected and preserved. Accordingly, all financial managers are expected to uphold the following standards:

- To provide information that is accurate, complete, objective, relevant, timely and understandable;
- To comply with laws, rules and regulations of federal, state, provincial and local governments, and appropriate regulatory agencies;
- To act in good faith, responsibly, with due care, competence and diligence, without misrepresenting facts or allowing their independent judgment to be subordinated;
- To respect the confidentiality of information acquired in connection with their activities for Pluristem, except when authorized or otherwise legally obligated to disclose;
- To share knowledge and to maintain skills needed to perform their jobs;
- To proactively promote ethical behavior as a responsible partner among peers in the workplace and community; and
- To achieve responsible use of and control over all assets and resources employed by or entrusted to them.

Compliance with all governmental laws, rules and regulations applicable to Pluristem is mandatory and any violations thereof are considered violations of this Code. Mistakes should never be covered up, but should be immediately fully disclosed and corrected, if possible.

If you have any questions about your duties with regard to public reporting, please ask the CFO.

Bribes and Kickbacks

A kickback or bribe includes any item intended to improperly obtain favorable treatment. Other than for modest gifts given or received in the normal course of business (e.g., coffee mugs, pens and other logoed promotional materials or business lunches), neither you nor your relatives may give gifts to, or receive gifts from, Pluristem's customers and suppliers. Other gifts may be given or accepted only with prior approval of the CFO. In no event should you put Pluristem or yourself in a position that would be uncomfortable if knowledge of the gift was made public. Dealing with government employees is often different than dealing with private persons. Many governmental bodies strictly prohibit the receipt of any gratuities by their employees, including meals and entertainment. You must be aware of and strictly follow these prohibitions.

Conducting Business Outside of the United States and the Foreign Corrupt Practices Act

Pluristem has an international presence and thus, certain Associates or other affiliates of the company may find it necessary to interact with foreign governments or officials in the furtherance of Pluristem's business activities. In any dealings with foreign officials, candidates, or political parties, Pluristem and its Associates, consultants, agents, subsidiaries, distributors, resellers, and representatives, must comply with the following policy.

Generally, Pluristem policies, the U.S. Foreign Corrupt Practices Act ("FCPA"), and applicable foreign laws prohibit payments to, and business relationships with, government officials ("government officials" may include employees of entities that are state-owned, in whole or part, public international organizations and political parties or political candidates) that could be construed as bribes or attempts to influence government behavior.

You may not give, offer, promise, or authorize direct or indirect payments to foreign officials for the purpose of obtaining or retaining business for Pluristem. Payments include money, gifts, or anything of value, and need not actually be delivered, but merely have been intended for a corrupt purpose, to violate the FCPA. It is therefore illegal and against Pluristem policy for any Associate or other Pluristem representative to offer or give anything of value that is intended to:

- influence any act or decision of a foreign official in his or her official capacity;
- induce the official violate a lawful duty of his position or to use his influence improperly; or
- obtain an improper advantage for Pluristem.

Pluristem and individuals may face significant civil and criminal punishment in both the United States and in other countries, including imprisonment, for violating the FCPA and local laws.

Acknowledging that in certain foreign localities, payments to local government officials may be customary to expedite processes such as the granting of a business license or similarly routine governmental action, the FCPA contains a narrow exception for such payments. In every case, prior to making, promising, or offering any such payment, any Associate or affiliate of Pluristem must consult with the CFO should uncertainties arise. Furthermore, if it is determined that a payment meets this narrow exception, it must be recorded accurately by the accounting department, as it is an independent violation of the FCPA to mischaracterize any such payment in the financial records. Both the consultation with the CFO and the accounting treatment of the payment must be documented in writing.

Quality and Regulatory Compliance

Pluristem is subject to numerous international, federal and state laws concerning the design, clinical development, manufacture, distribution and promotion of its products. The Federal Food, Drug, and Cosmetic Act (the "FDC Act") is the primary regulatory statute governing Pluristem's activities. The FDC Act is implemented by the U.S. Food and Drug Administration (the "FDA") through the promulgation of regulations and by the issuance of guidelines and other informal notices regarding compliance requirements. FDA regulations applicable to medical devices, biologics and pharmaceuticals encompass a wide variety of activities including: product clearance; labeling, advertising, and promotion; reporting requirements; establishment registration and product listing; current good manufacturing practices; and preclinical studies and clinical studies. Other federal agencies also have applicable laws, regulations and guidelines, as do individual state governments. Pluristem has established policies and procedures to ensure that our activities are conducted in compliance with the federal and state laws and regulations pertaining to FDA-regulated products.

In addition to legal compliance, you are required to maintain the highest ethical and scientific standards in researching and developing Pluristem's products. Associates are further required to be scrupulously accurate in data submitted to FDA, publications, or any other party. You will adhere to all standards and procedures necessary to ensure rigorous scientific inquiry and will interact with federal and state agencies in a forthright manner designed to ensure the safe and effective use of its products. Additionally, in accordance with Pluristem's objective, Associates are required to manufacture Pluristem's products in a manner designed to ensure their safety, integrity, and suitability for patients, and to market and sell its products in an honest and balanced manner that provides health professionals with the information necessary to use its products appropriately. Clinical studies will be conducted in such a fashion as to safeguard the welfare of subjects and ensure the scientific integrity of the research.

Associates will maintain accurate and complete records of all data related to FDA-regulated products in order to comply with FDA regulations. This work includes research and development, preclinical and clinical studies, manufacturing, marketing, quality control and quality assurance, regulatory and other activities as determined by our VP Regulatory Affairs. As part of Pluristem's quality system, Associates are required to maintain reliable documentation. The accuracy of data in our records, including full disclosure, lack of material omission, and integrity of the data is your priority.

Any Associate who alters or falsifies data, destroys or fails to maintain product related data, or omits data from records that are needed to provide full information regarding a commercial or development stage product is acting in violation of this Code. If you have questions related to quality and regulatory compliance, you should consult with your supervisor, or VP Regulatory Affairs.

Improper Use or Theft of Pluristem Property

Every Associate must safeguard Pluristem property from loss or theft, and may not take such property for personal use. Pluristem property includes such items as stem cells and other biological materials, laboratory equipment and machinery, inventory, vehicles, software, computers, office equipment, and supplies as well as confidential information such as non-public personal information about customers, customer lists, and proprietary product information, to name a few. You must appropriately secure all Pluristem property within your control to prevent its unauthorized use.

Fair Dealing

No Pluristem Associate should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts, or any other unfair-dealing practice.

Fair Competition and Antitrust Laws

Pluristem must comply with all applicable fair competition and antitrust laws. These laws attempt to ensure that businesses compete fairly and honestly and prohibit conduct seeking to reduce or restrain competition. If you are uncertain whether a contemplated action raises unfair competition or antitrust issues, you should raise the issue with the CFO.

Insider Trading

If an Associate has material non-public information relating to Pluristem, it is our policy that neither that person (nor any of his/her relatives) may buy or sell any Pluristem securities or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to information relating to any other company, including our customers, partners or suppliers, obtained in the course of employment. Officers, directors and employees should carefully review and comply with Pluristem's separate Insider Trading Policy. Questions regarding insider trading should be addressed to the CFO.

Waivers and Amendments of the Code

Any waiver of any provision of this Code for any of our directors or executive officers, or any amendment of this Code, must be approved in writing by our Board of Directors and must be disclosed to shareholders and to others, along with the reasons for such waiver, as required by applicable laws and regulations in the manner or manners required thereby. Any waiver of any provision of this Code with respect any other Associate must be approved in writing by our CFO. Waivers will be granted only as permitted by law and in extraordinary circumstances.

Reporting Ethical Violations

Your conduct can reinforce an ethical atmosphere and provide influence on the conduct of fellow Associates. Associates are empowered by the Code to act in situations where they have the authority or feel comfortable enough to stop unethical behavior. If the unethical behavior is prevented by your actions, then no report is necessary. However, if you are aware of any violations of this Code and feel powerless to stop them, you must report them to the CFO or to your direct supervisor. You also may contact the Chief Executive Officer of the company.

If you are still concerned after speaking with Pluristem officers or feel uncomfortable speaking with them (for whatever reason), you may contact the Chairman of Pluristem's Audit Committee. At the time of the adoption of this Code, Doron Shorrer is the Chairman of our Audit Committee.

Letters to the Chairman of the Audit Committee should be addressed:

Mr. Doron Shorrer
333 Khore Hadorot St, Jerusalem
You may write anonymously and you should include copies of relevant documents.

Pluristem's policy prohibits discrimination, harassment and retaliation against any Associate who in good faith provides any information or otherwise assists in any investigation or proceeding regarding any potential violation of this Policy.

Accountability for Adherence to the Code

The CFO shall report to our Board of Directors on all material issues relating to this Policy. Our Board of Directors enforces this Code by evaluating all alleged violations of this Code after all of the pertinent information has been gathered and appropriate action will be determined with the involvement of counsel. If an alleged violation of this Code has been reported to it, the Board of Directors shall determine whether that violation has occurred and, if so, shall determine the disciplinary measures to be taken against any Associate who has violated this Code.

The disciplinary measures, which may be invoked at the discretion of the Board of Directors, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, termination of employment or other relationship with us and restitution.

Pluristem is committed to upholding this Code and is supporting all Associates who aid in this endeavor. Pluristem will not tolerate any form of retaliation for reporting suspected violations of this Code.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3 (Registration No. 333-171334, 333-170859 and 333-151761) and in the Registration Statements on Form S-8 (Registration No. 333-173777, 333-162577 and 333-111591) of Pluristem Therapeutics Inc. of our report dated September 7, 2011, with respect to the consolidated financial statements of Pluristem Therapeutics, Inc. included in this Annual Report (Form 10-K) for the year ended June 30, 2011.

/s/ Kost Forer Gabbay & Kasierer
Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Haifa, Israel
September 7, 2011

Exhibit 31.1

CERTIFICATIONS

I, Zami Aberman, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended June 30, 2011, of Pluristem Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: September 12, 2011

/s/ Zami Aberman
Zami Aberman
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Yaky Yanay, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended June 30, 2011, of Pluristem Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 12, 2011

/s/ Yaky Yanay
Yaky Yanay
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pluristem Therapeutics Inc. (the "Company") on Form 10-K for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: September 12, 2011

/s/ Zami Aberman
Zami Aberman
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pluristem Therapeutics Inc. (the "Company") on Form 10-K for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: September 12, 2011

/s/ Yaky Yanay
Yaky Yanay
Chief Financial Officer