

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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2022**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number **001-31392**

PLURISTEM THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

98-0351734

(IRS Employer
Identification No.)

MATAM Advanced Technology Park, Building No. 5, Haifa, Israel 3508409

(Address of principal executive offices)

011-972-74-7108600

(Registrant's telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value \$0.00001	PSTI	Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common shares as of the latest practicable date: 32,347,584 common shares issued and outstanding as of May 4, 2022.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2022

(Unaudited)

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2022

U.S. DOLLARS IN THOUSANDS

(Unaudited)

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	<u>Note</u>	<u>March 31, 2022</u>	<u>June 30, 2021</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 23,791	\$ 31,241
Short-term bank deposits		38,189	33,709
Restricted cash		470	597
Prepaid expenses and other current assets		1,863	1,824
<u>Total</u> current assets		<u>64,313</u>	<u>67,371</u>
LONG-TERM ASSETS:			
Long-term deposits		4,235	23,269
Restricted bank deposits		669	-
Severance pay fund		753	664
Property and equipment, net		787	1,499
Operating lease right-of-use asset	3g	8,353	728
Other long-term assets		17	7
<u>Total</u> long-term assets		<u>14,814</u>	<u>26,167</u>
<u>Total</u> assets		<u>\$ 79,127</u>	<u>\$ 93,538</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	Note	March 31, 2022	June 30, 2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables		\$ 2,394	\$ 2,526
Accrued expenses		2,085	5,941
Operating lease liability		669	634
Accrued vacation and recuperation		1,126	1,203
Other accounts payable		1,548	1,213
<u>Total current liabilities</u>		<u>7,822</u>	<u>11,517</u>
LONG-TERM LIABILITIES			
Accrued severance pay		967	920
Operating lease liability	3g	7,271	100
Loan from the European Investment Bank ("EIB")	4	22,924	23,850
<u>Total long-term liabilities</u>		<u>31,162</u>	<u>24,870</u>
COMMITMENTS AND CONTINGENCIES	3		
EQUITY			
Share capital:	5		
Common shares, \$0.00001 par value per share:			
Authorized: 60,000,000 shares			
Issued and outstanding: 32,342,396 shares as of March 31, 2022, 31,957,782 shares as of June 30, 2021		*	*
Additional paid-in capital		400,351	387,172
Accumulated deficit		(362,258)	(330,021)
<u>Total shareholders' equity</u>		<u>38,093</u>	<u>57,151</u>
Non-controlling interests		2,050	-
<u>Total equity</u>		<u>40,143</u>	<u>57,151</u>
<u>Total liabilities and equity</u>		<u>\$ 79,127</u>	<u>\$ 93,538</u>

(*) Less than \$1

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

	Nine months ended March 31		Three months ended March 31,	
	2022	2021	2022	2021
Revenues	\$ 234	\$ -	\$ 234	\$ -
Operating expenses:				
Research and development expenses	\$ (19,205)	\$ (22,026)	\$ (6,273)	\$ (7,824)
Less: participation by the Israeli Innovation Authority (IIA), Horizon 2020 and other parties	189	445	117	158
Research and development expenses, net	(19,016)	(21,581)	(6,156)	(7,666)
General and administrative expenses	(13,929)	(14,455)	(4,553)	(6,559)
Operating loss	(32,711)	(36,036)	(10,475)	(14,225)
Financial income	1,097	912	678	125
Financial expenses	(676)	(173)	(121)	(154)
Financial income (expenses), net	421	739	557	(29)
Net loss	\$ (32,290)	\$ (35,297)	\$ (9,918)	\$ (14,254)
Net loss attributed to non-controlling interest	(53)	-	(53)	-
Net loss attributed to shareholders	(32,237)	(35,297)	(9,865)	(14,254)
Loss per share:				
Basic and diluted net loss per share	\$ (1.00)	\$ (1.31)	\$ (0.31)	\$ (0.48)
Weighted average number of shares used in computing basic and diluted net loss per share	32,131,503	26,936,831	32,261,628	29,617,233

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Common Shares		Additional	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Shareholders'
			Capital		Equity
Balance as of July 1, 2020	25,492,713	\$ (*)	\$ 336,257	\$ (280,156)	\$ 56,101
Share-based compensation to employees, directors and non-employee consultants	373,495	(*)	10,382	-	10,382
Issuance of common shares under the Open Market Sale Agreement, net of issuance costs of \$377	1,045,097	(*)	8,509	-	8,509
Exercise of warrants	51,999	(*)	364	-	364
Exercise of options by non-employee consultants	15,035	(*)	-	-	-
Issuance of common shares related to February 2021 registered direct offering net of issuance costs of \$1,923	4,761,905	(*)	28,077	-	28,077
Net loss	-	-	-	(35,297)	(35,297)
Balance as of March 31, 2021	<u>31,740,244</u>	<u>\$ (*)</u>	<u>\$ 383,589</u>	<u>\$ (315,453)</u>	<u>\$ 68,136</u>

(*) Less than \$1

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Common Share		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Shareholders' Equity
Balance as of January 1, 2021	25,839,286	\$ (*)	\$ 342,347	\$ (301,199)	\$ 41,148
Share-based compensation to employees, directors and non-employee consultants	210,977	(*)	5,525	-	5,525
Issuance of common Share under the Open Market Sale Agreement, net of issuance costs of \$151	928,076	(*)	7,640	-	7,640
Issuance of common shares related to February 2021 registered direct offering net of issuance costs of \$1,923	4,761,905	(*)	28,077	-	28,077
Net loss	-	-	-	(14,254)	(14,254)
Balance as of March 31, 2021	<u>31,740,244</u>	<u>\$ (*)</u>	<u>\$ 383,589</u>	<u>\$ (315,453)</u>	<u>\$ 68,136</u>

(*) Less than \$1

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Shareholders' Equity					Non-controlling interests	Total Equity
	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity		
	Shares	Amount					
Balance as of July 1, 2021	31,957,782	\$ (*)	\$ 387,172	\$ (330,021)	\$ 57,151	\$ -	\$ 57,151
Share-based compensation to employees, directors, and non-employee consultants	384,614	(*)	7,522	-	7,522	260	7,782
Establishment of Plurinuva and Non-controlling interest in Plurinuva.	-	-	5,657	-	5,657	1,843	7,500
Net loss	-	-	-	(32,237)	(32,237)	(53)	(32,290)
Balance as of March 31, 2022	32,342,396	\$ (*)	\$ 400,351	\$ (362,258)	\$ 38,093	\$ 2,050	\$ 40,143

(*) Less than \$1

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Shareholders' Equity					Non-controlling Interests	Total Equity
	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity		
	Shares	Amount					
Balance as of January 1, 2022	32,225,102	\$ (*)	\$ 392,233	\$ (352,393)	\$ 39,840	\$ -	\$ 39,840
Share-based compensation to employees, directors, and non-employee consultants	117,294	(*)	2,461	-	2,461	260	2,721
Establishment of Plurinuva and Non-controlling interest in Plurinuva	-	-	5,657	-	5,657	1,843	7,500
Net loss	-	-	-	(9,865)	(9,865)	(53)	(9,918)
Balance as of March 31, 2022	32,342,396	\$ (*)	\$ 400,351	\$ (362,258)	\$ 38,093	\$ 2,050	\$ 40,143

(*) Less than \$1

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Nine months ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (32,290)	\$ (35,297)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	915	1,034
Share-based compensation to employees, directors and non-employee consultants	7,782	10,382
Decrease (increase) in prepaid expenses and other current assets and other long-term assets	(49)	261
Increase (decrease) in trade payables	(254)	146
Increase (decrease) in other accounts payable, accrued expenses, accrued vacation and recuperation and other current liabilities	(3,598)	1,940
Decrease in operating lease right-of-use asset and liability, net	(419)	(236)
Increase in interest receivable on short-term deposits	(247)	(219)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,072	666
Linkage differences and interest on long-term deposits and restricted bank deposits	(18)	-
Long term interest payable and foreign exchange differences on the EIB loan	(926)	-
Accrued severance pay, net	(42)	10
Net cash used for operating activities	<u>\$ (28,074)</u>	<u>\$ (21,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (81)	\$ (331)
Proceeds from withdrawal of (investment in) short-term deposits	(4,233)	1,962
Proceeds from withdrawal of (investment in) long-term deposits	19,052	(13,688)
Net cash provided by (used by) investing activities	<u>\$ 14,738</u>	<u>\$ (12,057)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Nine months ended March 31,	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds related to issuance of common shares, net of issuance costs	-	\$ 36,628
Proceeds related to exercise of warrants	-	364
Proceeds related to investment in subsidiary by non- controlling interest	7,500	-
Net cash provided by financing activities	<u>\$ 7,500</u>	<u>\$ 36,992</u>
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	<u>(1,072)</u>	<u>-</u>
Increase (Decrease) in cash, cash equivalents and restricted cash	(6,908)	3,622
Cash, cash equivalents and restricted cash at the beginning of the period	31,838	9,229
Cash, cash equivalents and restricted cash at the end of the period	<u><u>\$ 24,930</u></u>	<u><u>\$ 12,851</u></u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 1:-GENERAL

- a. Pluristem Therapeutics Inc., a Nevada corporation (“Pluristem Therapeutics” or “the Company”), was incorporated on May 11, 2001. Pluristem Therapeutics has a wholly owned subsidiary, Pluristem Ltd. (the “Subsidiary”), which is incorporated under the laws of the State of Israel. In January 2020, the Subsidiary established a wholly owned subsidiary, Pluristem GmbH (the “German Subsidiary”) which is incorporated under the laws of Germany. In January 2022, the Subsidiary established a subsidiary, Plurinuva Ltd. (“Plurinuva”) which is incorporated under the laws of Israel, which followed the execution of the collaboration agreement with Tnuva Food Industries – Agricultural Cooperative in Israel Ltd., through its fully owned subsidiary, Tnuva Food-Tech Incubator (2019), Limited Partnership (“Tnuva”). Pluristem Therapeutics, the Subsidiary, the German Subsidiary and Plurinuva are referred to as the “Company” or “Pluristem.” The Subsidiary, the German Subsidiary and Plurinuva are referred to as the “Subsidiaries.”

Pluristem Therapeutics’ common shares are traded on the Nasdaq Global Market and on the Tel-Aviv Stock Exchange under the symbol “PSTI”.

- b. The Company is a bio-technology company with an advanced cell-based technology platform, which operates in one business segment. The Company developed a unique three-dimensional, or 3D, technology platform for cell expansion with an industrial scale in-house Good Manufacturing Practice cell manufacturing facility. Pluristem uses its technology in the field of regenerative medicine and plans to utilize it in other industries and verticals that have a need for its mass scale and cost-effective cell expansion platform. Pluristem is focused on the research, development and manufacturing of cells, conducting clinical studies and the business development of cell therapeutics and cell based technologies

The Company has incurred an accumulated deficit of approximately \$362,258 and incurred recurring operating losses and negative cash flows from operating activities since inception. As of March 31, 2022, the Company’s total shareholders’ equity amounted to \$38,093. During the nine-month period ended March 31, 2022, the Company incurred losses attributed to shareholders of \$32,237 and its negative cash flow from operating activities was \$28,074.

As of March 31, 2022, the Company’s consolidated cash position (cash and cash equivalents, short-term bank deposits and long-term bank deposits) totaled approximately \$66,215. The Company plans to continue to finance its operations from its current resources and by entering into licensing or other commercial agreements or establishment of joint ventures, from grants to support its research and development activities, and from sales of its equity securities. Management believes that its current resources, together with its existing operating plan, are sufficient for the Company to meet its obligations as they come due at least for a period of twelve months from the date of the issuance of these interim condensed consolidated financial statements. There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the long-term development and commercialization of its product candidates.

- c. On January 5, 2022, the Subsidiary entered into definitive agreements (the “Agreements”) with Tnuva. Under the Agreements, the parties established a new company, Plurinuva, with the purpose of developing cultured meat products of all types and kinds. Plurinuva received exclusive, global, royalty bearing licensing rights to use Pluristem’s proprietary technology, intellectual property and knowhow in the field of cultured meat. Tnuva invested \$7,500 in Plurinuva and received 187,500 ordinary shares, representing 15.79% of the Plurinuva share capital as of February 24, 2022 (the “Closing Date”) and warrants (comprised of a “First Warrant” and “Second Warrant”) to invest up to an additional \$7,500 over a period of twelve months following the Closing Date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**U.S. Dollars in thousands (except share and per share amounts)****NOTE 1:-GENERAL (CONT.)**

The First Warrant issued to Tnuva permits Tnuva to purchase up to 125,000 ordinary shares of Plurinuva at an exercise price of \$40.00 per share, and has a term commencing on the Closing Date and ending at the earlier of (i) six months from the Closing Date, (ii) immediately prior to and subject to the consummation of an initial public offering or acquisition of Plurinuva or (iii) the consummation of a financing round with a non-affiliated investor. In addition, on the six months anniversary of the Closing Date, and provided that the First Warrant has not expired, Plurinuva shall issue to Tnuva the Second Warrant, which will permit Tnuva to purchase up to a number of ordinary shares of Plurinuva, or the then most senior securities issued by Plurinuva, in consideration for such amount equal to 200% of the remaining balance of the aggregate purchase price of the First Warrant, provided that Tnuva exercises at least 62,500 ordinary shares at a price per share of \$40.00, or \$2,500 in the aggregate, of the First Warrant. The Second Warrant's exercise price per share equals \$76.00. The Second Warrant has a term commencing on the six months anniversary of the Closing Date and ending at the earlier of (i) six months from its issuance, (ii) immediately prior to and subject to the consummation of an initial public offering or acquisition of Plurinuva or (iii) the consummation of a financing round with a non-affiliated investor.

The Company allocated the consideration received in the total amount of \$7,500 between the ordinary shares and the warrants of Plurinuva issued to Tnuva such that the consideration allocated to the ordinary shares is \$6,718 and consideration allocated to the warrants is \$782.

For this purpose, the Company determined the fair value of the ordinary shares and the warrants utilizing a Monte Carlo simulation model (Level 3 classification), which incorporates various assumptions including expected stock price volatility, risk-free interest rates, and the expected date of a qualifying event. The Company estimated the volatility of the ordinary shares of Plurinuva based on data from similar companies operating in the food tech field.

The main assumptions used in the Monte Carlo simulation model are as follows:

Risk-free interest rate	1.08%
Expected stock price volatility	85%

The consideration allocated to the shares issued was divided between the non-controlling interests ("NCI") and the Company's shareholders as this transaction is a transaction with the NCI.

The consideration allocated to the warrants was recognized against the NCI.

- d. On February 26, 2022, Pluristem Ltd allocated a total of 45,936 of its shares in Plurinuva, which constitute approximately 3.87% of Plurinuva's ordinary shares, to its Chairman, Chief Executive Officer and Chief Financial Officer, pursuant to the terms of their respective employment and/or consulting agreements with the Company. Following such allocation the Company holds 80.34% in Plurinuva. As a result, the Company recognized compensation expenses in the amount of \$1,646 representing the fair value of the respective allocated shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES*a. Unaudited Interim Financial Information*

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair statement have been included (consisting only of normal recurring adjustments). For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2021. The year-end balance sheet data was derived from the audited consolidated financial statements as of June 30, 2021, but not all disclosures required by U.S. GAAP are included.

Operating results for the nine-month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending June 30, 2022.

b. Significant Accounting Policies

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

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, 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.

d. Principles of consolidation

The consolidated financial statements include Plurinuva, an entity in which the Company owns less than 100%. The outside shareholders' interests are shown as non-controlling interests in equity. Changes in ownership interests in subsidiaries that do not result in a change of control of the subsidiary by the Company are presented as equity transactions. Intercompany transactions and balances are eliminated on consolidation.

e. Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, short-term and restricted bank deposits, accounts receivable and other current assets, trade payable and other accounts payable, accrued expenses and other liabilities, approximate fair value because of their generally short-term maturities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**U.S. Dollars in thousands (except share and per share amounts)**

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Company measures its derivative instruments at fair value under Accounting Standards Codification (“ASC”), “Fair Value Measurements and Disclosures” (“ASC 820”). 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, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

The Company measures its liability pursuant to the Finance Agreement with the EIB based on the aggregate outstanding amount of the combined principal and accrued interest. The Company does not reflect its liability for future royalty payments pursuant to the Finance Agreement with the EIB since the royalty payments are to be paid as a percentage of the Company’s future consolidated revenues, pro-rated to the amount disbursed, beginning in the fiscal year 2024 and continuing up to and including its fiscal year 2030, which cannot be measured at this time.

f. Recently Issued Accounting Pronouncements

ASU No. 2016-13 - “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”):

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses.

The guidance also requires increased disclosures. The amendments contained in ASU 2016-13 were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years for the Company. In November 2019, the FASB issued ASU No. 2019-10, which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the U.S. Securities and Exchange Commission, “SRC”) to fiscal years beginning after December 15, 2022, including interim periods. Early adoption is permitted. The Company meets the definition of a SRC and is adopting the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements but does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**U.S. Dollars in thousands (except share and per share amounts)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

ASU No. 2021-10- " Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance" ("ASU 2021-10"):

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832)," which requires business entities to disclose information about transactions with a government that are accounted for by applying a grant or contribution model by analogy (for example, IFRS guidance in IAS 20 or guidance on contributions for not-for-profit entities in ASC 958-605). For transactions within scope, the new standard requires the disclosure of information about the nature of the transaction, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transaction. The new guidance is effective for annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect the adoption of this ASU may have on our future disclosures.

NOTE 3: - COMMITMENTS AND CONTINGENCIES

- a. As of March 31, 2022, an amount of \$1,139 of cash and deposits was pledged by the Subsidiary to secure its credit line and bank guarantees related to its facility operating lease agreement.
- b. Under the Law for the Encouragement of Industrial Research and Development, 1984, (the "Research Law"), research and development programs that meet specified criteria and are approved by the IIA 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 IIA of 3% 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. 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 March 31, 2022, total grants from the IIA obtained aggregated to approximately \$27,743 and total royalties paid and accrued amounted to \$169. As of March 31, 2022, the Company's contingent liability in respect to royalties to the IIA amounted to \$27,574, not including LIBOR interest as described above.

- c. The Company has been awarded a marketing grant under the "Smart Money" program of the Israeli Ministry of Economy and Industry. The program's aim is to assist companies to extend their activities in international markets. The goal market that was chosen was Japan. The Israeli government granted the Company budget resources that are intended to be used to advance the Company's product candidate towards marketing in Japan and for regulatory activities there. As part of the program, the Company will repay royalties of 5% from the Company's income in Japan over a five-year period, starting the year in which, the Company will not be entitled to reimbursement of expenses under the program and will be spread over a period of up to 5 years or until the amount of the grant is fully paid.

As of March 31, 2022, total grants obtained under this Smart Money program amounted to approximately \$112. As of March 31, 2022, the Company's contingent liability with respect to royalties for this "Smart Money" program was \$112 and no royalties were paid or accrued.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**U.S. Dollars in thousands (except share and per share amounts)**

NOTE 3: - COMMITMENTS AND CONTINGENCIES (CONT.)

- d. The Company was awarded an additional Smart Money grant of approximately \$229 from Israel's Ministry of Economy and Industry to facilitate certain marketing and business development activities with respect to its advanced cell therapy products in the Chinese market, including Hong Kong. The Israeli government granted the Company budget resources that are intended to be used to advance the Company's product candidate towards marketing in the China-Hong Kong markets. The Company will also receive close support from Israel's trade representatives stationed in China, including Hong Kong, along with experts appointed by the Smart Money program. As part of the program, the Company will repay royalties of 5% from the Company's revenues in the region over a five-year period, beginning the year in which the Company will not be entitled to reimbursement of expenses under the program and will be spread over a period of up to 5 years or until the amount of the grant is fully paid.

As of March 31, 2022, the aggregate amount of grant obtained from this Smart Money program was approximately \$178. As of March 31, 2022, the Company's contingent liability with respect to royalties for this "Smart Money" program is \$178 and no royalties were paid or accrued.

- e. In September 2017, the Company signed an agreement with the Tel-Aviv Sourasky Medical Center (Ichilov Hospital) to conduct a Phase I/II trial of PLX-PAD cell therapy for the treatment of Steroid-Refractory Chronic Graft-Versus-Host-Disease ("cGvHD").

As part of the agreement with the Tel-Aviv Sourasky Medical Center (Ichilov Hospital), the Company will pay royalties of 1% from its net sales of the PLX-PAD product relating to cGvHD, with a maximum aggregate royalty amount of approximately \$250.

- f. The Company was awarded a marketing grant of approximately \$52 under the "Shalav" program of the Israeli Ministry of Economy and Industry. The grant is intended to facilitate certain marketing and business development activities with respect to the Company's advanced cell therapy products in the U.S. market. As part of the program, the Company will repay royalties of 3%, but only with respect to the Company's revenues in the U.S. market in excess of \$250 of its revenues in fiscal year 2018, upon the earlier of the five year period beginning the year in which the Company will not be entitled to reimbursement of expenses under the program and/or until the amount of the grant, which is linked to the Consumer Price Index, is fully paid.

As of March 31, 2022, total grants obtained under the "Shalav" program amounted to approximately \$52. As of March 31, 2022, the Company's contingent liability with respect to royalties for this "Shalav" program was \$52 and no royalties were paid or accrued.

- g. In December 2021, the Company signed an addendum to its facility operating lease agreement (the "Addendum") with the lessor, which extended the lease period to December 2026 and the Company has the option to extend the term of the lease (the "Extension Option") for an additional period of five years until December 2031. The monthly lease payments are approximately \$94 (291,000 NIS) and will increase by 10% with the Extension Option. As a result of the Addendum, the right of use asset in the amount of \$8,353 is presented in the long-term assets, and the operating lease liability in the amount of \$669 and \$7,271 is presented in the short-term and long-term liabilities, respectively. The appropriate discount rate for the Company's operating lease is 9.2%. The Company recognizes lease expenses, on a straight-line basis over the lease term.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 4: - LOAN FROM THE EIB

On April 30, 2020, Pluristem GmbH entered into a finance agreement (the “Finance Agreement”) with the EIB, pursuant to which Pluristem GmbH can obtain a loan in the amount of up to €50 million, subject to certain milestones being reached (the “Loan”), payable in three tranches, with the first tranche consisting of €20 million, the second of €18 million and the third of €12 million for a period of 36 months from the signing of the Finance Agreement.

The tranches will be treated independently, each with its own interest rate and maturity period. The interest rate is 4% in the aggregate (consisting of a 0% fixed interest rate and a 4% deferred interest rate payable upon maturity, respectively) per year for the first tranche, 4% in the aggregate (consisting of a 1% fixed interest rate and a 3% deferred interest rate payable upon maturity, respectively) per year for the second tranche and 3% (consisting of a 1% fixed interest rate and a 2% deferred interest rate payable upon maturity, respectively) per year for the third tranche.

In addition to any interest payable on the Loan, the EIB is entitled to receive royalties from future revenues, if any, of Pluristem for a period of seven years starting in 2024, in an amount equal to between 0.2% to 2.3% of the Company’s consolidated revenues, pro-rated to the amount disbursed from the Loan to Pluristem beginning in the fiscal year 2024 and continuing up to and including its fiscal year 2030.

During June 2021, Pluristem received the first tranche in an amount of \$24,449 (€20 million) of the Finance Agreement. The amount received is due on June 1, 2026 and bears annual interest of 4% to be paid with the principal of the Loan. As of March 31, 2022, the linked principal balance in the amount of \$22,189 (due to exchange rate differences), and the interest accrued in the amount of \$735 are presented as part of the Loan as long-term liabilities.

NOTE 5: - SHAREHOLDERS’ EQUITY

Pursuant to a shelf registration statement on Form S-3, declared effective by the SEC on July 23, 2020, in July 2020 the Company entered into an Open Market Sale Agreement (“ATM Agreement”) with Jefferies LLC (“Jefferies”), which provides that, upon the terms and subject to the conditions and limitations in the ATM Agreement, the Company may elect, from time to time, to offer and sell common shares having an aggregate offering price of up to \$75,000 through Jefferies acting as sales agent. During the year ended June 30, 2021, the Company sold 1,045,097 common shares under the ATM Agreement at an average price of \$8.50 per share for aggregate net proceeds of approximately \$8,506, net of issuance expenses of \$380. There were no sales under the ATM Agreement during the nine months ended March 31, 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 5: - SHAREHOLDERS' EQUITY (CONT.)

a. Options to consultants:

A summary of the options to non-employee consultants under the Company's 2005 and 2016 equity incentive plans is as follows:

	Nine months ended March 31, 2022			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at the beginning of the period	39,836	\$ -	6.99	\$ 158
Options granted	40,000	\$ 2.33		
Options forfeited	(1,291)	\$ -		
Options outstanding at the end of the period	78,545	\$ 1.24	8.08	\$ 82
Options exercisable at the end of the period	36,670	\$ -	6.44	\$ 76
Options unvested	41,875	\$ 2.32		
Options vested and expected to vest	78,545	\$ 1.24	8.08	\$ 82

Compensation expenses recorded in general and administration expenses related to options granted to consultants for the nine and three months ended March 31, 2022 and 2021 were \$29 and \$19, \$9 and \$3, respectively.

b. Restricted Shares units ("RSUs") to employees, directors and consultants:

1. RSUs to employees and directors:

The following table summarizes the activity related to RSUs granted to employees and directors under the Company's 2005, 2016 and 2019 equity incentive plans for the nine-month periods ended March 31, 2022 and 2021:

	Nine months ended March 31,	
	2022	2021
	Number	
Unvested at the beginning of the period	2,404,415	415,194
Granted	75,000	2,643,120
Forfeited	(41,028)	(39,849)
Vested	(350,239)	(363,182)
Unvested at the end of the period	2,088,148	2,655,283
Expected to vest after the end of the period	2,052,240	2,611,578

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 5: - SHAREHOLDERS' EQUITY (CONT.)

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

	Nine months ended March 31,		Three months ended March 31,	
	2022	2021	2022	2021
Research and development expenses	\$ 526	\$ 1,158	\$ 108	\$ 594
General and administrative expenses	*7,032	8,962	*2,538	4,794
	<u>\$ 7,558</u>	<u>\$ 10,120</u>	<u>\$ 2,646</u>	<u>\$ 5,388</u>

Unamortized compensation expenses related to RSUs granted to employees and directors is approximately \$4,196 to be recognized by the end of December 2025.

*Including compensation expenses in the amount of \$1,646 related to Plurinuva's ordinary shares pursuant to employment/ consulting agreement (see note 1d).

2. RSUs to consultants:

The following table summarizes the activity related to unvested RSUs granted to consultants under the Company's 2005, 2016 and 2019 equity incentive plans for the nine-month periods ended March 31, 2022 and 2021:

	Nine months ended March 31,	
	2022	2021
	Number	
Unvested at the beginning of the period	76,249	6,250
Granted	-	110,000
Forfeited	-	(29,062)
Vested	(34,375)	(10,313)
Unvested at the end of the period	<u>41,874</u>	<u>76,875</u>

Compensation expenses related to RSUs granted to consultants were recorded as follows:

	Nine months ended March 31,		Three months ended March 31,	
	2022	2021	2022	2021
Research and development expenses	\$ 46	\$ 142	\$ 1	\$ 74
General and administrative expenses	149	111	55	60
	<u>\$ 195</u>	<u>\$ 253</u>	<u>\$ 56</u>	<u>\$ 134</u>

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws, and is subject to the safe-harbor created by such Act and laws. Forward-looking statements may include statements regarding our goals, beliefs, strategies, objectives, plans, including product and technology developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of such terms, or other variations thereon or comparable terminology. These statements are merely predictions and therefore inherently subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance levels of activity, or our achievements, or industry results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements appear in this Item 2 – “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and may appear elsewhere in this Quarterly Report on Form 10-Q and include, but are not limited to, statements regarding the following:

- the expected development and potential benefits from our products in treating various medical conditions;
- our entering into certain contracts with third parties;
- the prospects of entering into additional license agreements, or other forms of cooperation with other companies, research organizations and medical institutions, including, without limitation Tnuva (as defined below);
- our pre-clinical and clinical trials plans, including timing of initiation, expansion, enrollment, results, and conclusion of trials;
- achieving regulatory approvals, including under accelerated paths;
- receipt of future funding from the Israel Innovation Authority, or IIA, the European Union's Horizon programs, as well as grants from other independent third parties;
- the receipt of additional funds pursuant to our finance agreement, or the EIB Finance Agreement, with the European Investment Bank, or the EIB, and whether we will achieve further milestones necessary to receive additional funds thereunder;
- developing capabilities for new clinical indications of placenta expanded, or PLX, cells and new products;
- the progress of our multinational Phase III trial program for the potential use of PLX cells in the treatment of muscle injury following arthroplasty for hip fracture;
- our expectation to demonstrate a real-world impact and value from our pipeline, technology platform and commercial-scale manufacturing capacity;
- the possible impacts of cybersecurity incidents on our business and operations;
- our expectations regarding our short- and long-term capital requirements;
- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses;
- information with respect to any other plans and strategies for our business; and
- our expectations regarding the impact of the COVID-19 pandemic, including on our clinical trials and operations.

Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

In addition, historic results of scientific research, clinical and preclinical trials do not guarantee that the conclusions of future research or trials would not suggest different conclusions. Also, historic results referred to in this periodic report would be interpreted differently in light of additional research, clinical and preclinical trials results. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under the heading “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, or the 2021 Annual Report, as well as Item 1A of this Quarterly Report. Readers are also urged to carefully review and consider the various disclosures we have made in that report.

As used in this Quarterly Report on Form 10-Q, the terms “we”, “us”, “our”, the “Company” and “Pluristem” mean Pluristem Therapeutics Inc. and our wholly owned subsidiaries, Pluristem Ltd. and Pluristem GmbH, and our subsidiary Plurinuva Ltd., unless otherwise indicated or as otherwise required by the context.

Overview

We are a biotechnology company with an advanced cell-based technology platform. We have developed a unique three-dimensional, or 3D, technology platform for cell expansion with an industrial scale in-house GMP cell manufacturing facility. We are utilizing our technology in the field of regenerative medicine and food tech and plan to utilize it in other industries and verticals that have a need for our mass scale and cost-effective cell expansion platform.

Our operations are focused on the research, development and manufacturing of cells, conducting clinical studies and the business development of cell therapeutics and cell based technologies, such as our recent collaboration with Tnuva Food Industries – Agricultural Cooperative in Israel Ltd., through its fully owned subsidiary, Tnuva Food-Tech Incubator (2019), Limited Partnership, or Tnuva, to use our technology to establish a cultured food platform.

We use our advanced cell-based technology platform in the field of regenerative medicine to develop placenta-based cell therapy product candidates for the treatment of inflammatory, muscle injuries and hematologic conditions. We develop, and intend to commercialize, cell therapy production technologies and products that are derived from the human placenta after a full-term delivery of a healthy baby. Our placental expanded, or PLX, cells are adherent stromal cells that are expanded using our 3D platform. Our PLX cells can be administered to patients off-the-shelf, without blood or tissue matching or additional manipulation prior to administration. PLX cells are believed to release a range of therapeutic proteins in response to the patient’s condition.

We intend to enhance the global reach of our cell expansion technology and PLX product portfolio, enabling the development of various new cell-based products for multiple applications, based on our innovative technology and manufacturing capabilities. Our goal is to make significant progress with our clinical pipeline and clinical studies to ultimately bring innovative, potent therapies to patients who need new treatment options.

In addition, we plan to continue leveraging our proprietary technology for other industries and verticals that have a need for our mass scale and cost-effective cell expansion platform, such as the food tech industry. We expect to demonstrate a real-world impact and value from our cell based technology platform and PLX pipeline. Our business model for commercialization and revenue generation includes, but is not limited to, licensing deals, joint ventures, direct sale of our products and partnerships.

Clinical Studies

We are conducting several multinational clinical studies which consist of a Phase III clinical study in muscle recovery following surgery for hip fracture and two Phase II clinical studies in Acute Respiratory Distress Syndrome, or ARDS, associated with COVID-19 in the United States, Europe and Israel. In addition, we are focusing on other clinical programs in the hematological field such as a Phase I clinical study for incomplete recovery following bone marrow transplantation in the United States and Israel, an investigator-led Phase I/II Chronic Graft versus Host Disease study in Israel, and Acute Radiation Syndrome, or ARS, under the U.S. Food and Drug Administration, or FDA, animal rule. We believe that each of these indications is a severe unmet medical need.

On November 15, 2021, we announced that we fully completed the enrollment of 240 patients for our Phase III clinical study in muscle recovery following surgery for hip fracture. The multinational clinical study includes patients from the U.S., Europe, and Israel, and we expect to announce topline results in the third calendar quarter of 2022.

On December 27, 2021, we announced topline results for our COVID-19 studies based on 89 patients enrolled. The primary efficacy endpoint was the number of ventilator free days, or VFD, from day 1 through day 28 of the studies. VFD at day 60 and all-cause mortality at days 28 and 60 were part of the secondary efficacy endpoints in the studies. The studies did not meet the primary efficacy endpoint of statistically significant improvement of VFD at 28 days. Taking into consideration the baseline risk factors of the ARDS patients, no differences in the safety profile were observed between PLX-PAD and placebo.

We have completed enrollment of 21 patients in our first in human Phase I clinical study in incomplete hematopoietic recovery following hematopoietic cell transplantation, or HCT, in the United States and Israel. The study is designed to assess the safety and efficacy of PLX-R18. In March 2022, we announced positive final results for this Phase I study.

Data collected over twelve months post-treatment with PLX-R18 demonstrated that (i) PLX-R18 was well-tolerated with a favorable safety profile; (ii) patients treated with PLX-R18 showed an increase in all three blood cell types compared to baseline with platelets ($p<0.001$), hemoglobin ($p=0.01$) and neutrophils ($p=0.15$) levels increasing as early as one month following PLX-R18 administration and enduring up to twelve months following treatment; (iii) following PLX-R18 treatment, the number of transfused units decreased from a mean monthly number of 5.09 for platelets and 2.91 for red blood cells at baseline to 0.55 for platelets and 0 for red blood cells ($p=0.0005$) at twelve months; and (iv) the observed annual mortality rate following PLX-R18 administration was 18% compared to 29% in a cohort of allogeneic HCT recipients with incomplete hematopoietic recovery, obtained from the Center for International Blood and Marrow Transplant Research registry, representing a similar patient population.

Our manufacturing facility complies with the European, Japanese, Israeli, South Korean and the FDA's current Good Manufacturing Practice, or cGMP, requirements and has been inspected and approved by the European Qualified Person, or QP, and Israeli MoH for production of PLX cells for late stage trials. We have also been granted manufacturer/importer authorization and cGMP Certification by the Israeli Ministry of Health. If we obtain FDA and other regulatory approvals to market PLX cells, we expect to have in-house production capacity to grow PLX cells in commercial quantities.

Food Tech

On January 5, 2022, we signed definitive collaboration agreements with Tnuva through our fully owned subsidiary Pluristem Ltd., or the Subsidiary. Under the definitive collaboration agreements, or the Joint Venture Agreement, we established a new company, Plurinuva Ltd., an Israeli company, or Plurinuva, with the purpose of developing cultured meat products of all types and kinds. Plurinuva is intended to be engaged in the development, manufacturing and commercialization of technology, know-how and products that will be based on licensed products, or the Licensed Products, relating to the field of cultured meat, or the Field.

Pursuant to the Joint Venture Agreement, Tnuva entered into a share purchase agreement, or the SPA, with Plurinuva and the Subsidiary, pursuant to which Plurinuva issued on the closing date of the SPA, or the Closing Date, 15.79% of its share capital to Tnuva, as well as a warrant to purchase additional shares of Plurinuva, in consideration of an aggregate of \$7,500,000 in cash. In addition, pursuant to the SPA, in the event the Company decides to use its technology for the development of cultured milk or fish products, Tnuva shall also have the right, for a period of seven years following the Closing Date, to participate in the formation of additional separate joint ventures for the development of those products.

On February 24, 2022, we announced the closing of the Joint Venture Agreement and the SPA, and on March 8, 2022, we announced the appointment of Eyal Rosenthal as Chief Executive Officer of Plurinuva.

Prior to the Closing Date, the Subsidiary and Plurinuva also executed a technology license agreement, or the License Agreement, and on the Closing Date, the Subsidiary and Plurinuva executed a transitional services agreement, or the Services Agreement. Pursuant to the License Agreement, the Subsidiary granted Plurinuva an exclusive, royalty bearing, perpetual and irrevocable, worldwide, non-transferable (except under specific circumstances specified thereunder), sublicensable license to its technology for the use in the development of the Licensed Products in the field of cultured meat, or the Field. In addition, Plurinuva shall grant the Subsidiary, pursuant to the License Agreement, an exclusive, perpetual and irrevocable, worldwide, sublicensable, royalty-free, license to use, make, exploit and develop the improvements made by Plurinuva to the licensed technology outside of the Field. In consideration for the license, Plurinuva agreed to grant the Subsidiary royalties from its future net sales in the mid-single digits. Pursuant to the terms of the Services Agreement, the Subsidiary shall provide Plurinuva transitional services to support its development efforts, for an initial term of eighteen months, subject to mutual extension for an additional six months.

Pursuant to the SPA, Tnuva and Plurinuva agreed to enter into a commercialization agreement within twelve months pursuant to which Tnuva shall be granted exclusive marketing, distribution and sale rights of the Licensed Products in Israel. Tnuva's exclusivity in the region will be subject to achieving and maintaining specific milestones. Plurinuva shall retain exclusive worldwide marketing, distribution, and sale rights for the Licensed Products worldwide, except in Israel.

On February 26, 2022, Pluristem Ltd. allocated a total of 45,936 of its shares in Plurinuva, which constitute approximately 3.87% of its holdings in Plurinuva, to our Chairman, Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, pursuant to the terms of their respective employment and/or consulting agreements with the Company.

Cybersecurity Incident

As previously reported in our Quarterly Report on Form 10-Q for the period ended December 31, 2021, during November 2021, we experienced a cybersecurity incident in which one or more third parties were able to impersonate one of our vendors by using a falsified email domain account and asked to make a payment to a false bank account. As a result of this incident, the third parties managed to extract a sum of approximately \$616,000 from us. As a result of this incident, we immediately launched an investigation into the incident, hired the services of a cybersecurity investigation firm to fully access the incident and notified the appropriate government authorities, including the banks involved in the transaction.

During February 2022, with the assistance of local and global law enforcement agencies, we were able to recover an amount of approximately \$412,000 from the false bank account. Together with the reimbursement received from our insurance company we were able to recover the full amount lost.

The cybersecurity incident has not had any effect on our ability to meet our financial obligations, including our ability to carry out our operations and business activities. In addition, our investigation has confirmed that, other than the funds referenced above, none of our information or data was stolen or damaged. Nonetheless, our security protections, including the steps we have taken in response to the November 2021 incident, may not prevent future incidents of a similar nature or other cyber-attacks. We are constantly exploring new and advanced security protection measures to prevent future cybersecurity incidents.

RESULTS OF OPERATIONS – THREE AND NINE MONTHS ENDED MARCH 31, 2022 COMPARED TO THREE AND NINE MONTHS ENDED MARCH 31, 2021.

Revenues

Revenues for the nine-month and three-month periods ended March 31, 2022 were \$234,000, as compared to no revenues, during the nine-month and three-month periods ended March 31, 2021. Revenues for the nine-month and three-month periods ended March 31, 2022 were related to the sale of our PLX cells for research use and proceeds related to a license agreement we signed with Takeda Pharmaceuticals International AG, or Takeda, a company based in Switzerland and operates in the field of adipose-derived cells, under which we granted Takeda a global, non-exclusive license to use several of our patents, limited to adipose fat cells only in the field of therapeutics. The license covers methods for expanding adherent stromal cells and specified second medical uses.

Research and Development Expenses, Net

Research and development expense, net (costs less participation and grants by the Horizon 2020 program, the IIA and other parties) for the nine-month period ended March 31, 2022 decreased by 12% from \$21,581,000 for the nine-month period ended March 31, 2021 to \$19,016,000. The decrease is mainly attributed to a decrease in clinical trial subcontractor expenses following the termination of our critical limb ischemia, or CLI, study, end of enrollment of our Phase II studies of ARDS associated with COVID-19 and a decrease in share-based compensation expenses related to restricted stock units, or RSUs granted to employees and consultants. The decrease was partially offset by increased payroll expenses related to payroll adjustments and exchange currency adjustments, together with an increase in materials purchases to support the Company's manufacturing plan.

Research and development expense, net (costs less participation and grants by the Horizon 2020 program, the IIA and other parties) for the three-month period ended March 31, 2022 decreased by 20% from \$7,666,000 for the three-month period ended March 31, 2021 to \$6,156,000. The decrease is mainly attributed to a decrease in clinical trial subcontractor expenses following the termination of the CLI study, end of enrollment of our Phase II studies of ARDS associated with COVID-19 and a decrease in share-based compensation expenses related to RSUs granted to employees and consultants. The decrease was partially offset by an increase in materials purchases to support the Company's current manufacturing plan.

General and Administrative Expenses

General and administrative expenses for the nine-month period ended March 31, 2022 decreased by 4% from \$14,455,000 for the nine-month period ended March 31, 2021 to \$13,929,000. The decrease is mainly attributed to a decrease in share-based compensation expenses related to market based vesting conditioned RSUs granted to our CEO and Chairman, partially offset by an increase in share-based compensation expenses related to allocation of shares of Plurinuva to our CEO, CFO and Chairman pursuant to their employment or consulting agreement (see also note 1d to the interim condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

General and administrative expenses for the three-month period ended March 31, 2022 decreased by 31% from \$6,559,000 for the three-month period ended March 31, 2021 to \$4,553,000. The decrease is mainly attributed to a decrease in share-based compensation expenses related to market based vesting conditioned RSUs granted to our CEO and Chairman, and the cancellation of provision for losses due to a cybersecurity incident following the recovery of the funds, partially offset by an increase in share-based compensation expenses related to allocation of shares of Plurinuva to our CEO, CFO and Chairman pursuant to their employment or consulting agreement (see also note 1d to the interim condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

Financial Income

Financial income increased from \$912,000 for the nine-month period ended March 31, 2021 to financial income of \$1,097,000 for the nine-month period ended March 31, 2022. This increase is mainly attributable to an increase in interest income on deposits, partially offset by a decrease in income from exchange rate differences on deposits linked to the NIS.

Financial income increased from \$125,000 for the three-month period ended March 31, 2021 to financial income of \$678,000 for the three-month period ended March 31, 2022. This increase is mainly attributable to an increase in income from exchange rate differences of the Euro against the U.S. dollar, primarily related to the EIB loan provided to us pursuant to the EIB Finance Agreement, additional financial income from exchange rate differences related to the renewal of our operating lease agreement and the effect of implementing the leasing accounting standard.

Financial Expenses

Financial expenses increased from \$173,000 for the nine-month period ended March 31, 2021 to financial expenses of \$676,000 for the nine-month period ended March 31, 2022. This increase is mainly attributable to interest expenses related to the EIB loan provided to us pursuant to the EIB Finance Agreement.

Financial expenses decreased from \$154,000 for the three-month period ended March 31, 2021 to financial expenses of \$121,000 for the three-month period ended March 31, 2022. This decrease is mainly attributable to exchange rate differences due to the strength of the NIS against the U.S. dollar on cash and deposits linked to the NIS, partially offset by interest expenses related to the EIB loan provided to us pursuant to the EIB Finance Agreement.

Net Loss

Net loss for the nine and three-month periods ended March 31, 2022 was \$32,290,000 and \$9,918,000 respectively, as compared to net loss of \$35,297,000 and \$14,254,000 for the nine and three-month periods ended March 31, 2021. For the nine-month period, the decrease was mainly due to a decrease in research and development expenses, net, and for the three-month period the decrease was due to a decrease in general and administrative expenses and research and development expenses, as described above. Net loss per share for the nine and three-month periods ended March 31, 2022 was \$1.00 and \$0.31, respectively, as compared to \$1.31 and \$0.48, respectively for the nine and three-month periods ended March 31, 2021. We had net loss attributed to our non-controlling interest in Plurinuva for the nine and three-month periods ended March 31, 2022 of \$53,000.

For the nine and three-month periods ended March 31, 2022 and March 31, 2021, we had weighted average common shares outstanding of 32,131,503, 32,261,628, and 26,936,831, 29,617,233, respectively, which were used in the computations of net loss per share for the nine and three-month periods.

The increase in weighted average common shares outstanding reflects the issuance of additional shares mainly related to the issuances of shares pursuant to a securities purchase agreement with certain institutional investors in February 2021, issuances of shares pursuant to our Open Market Sale AgreementTM, or the ATM Agreement, that we entered into with Jefferies LLC, or Jefferies, on July 16, 2020, issuances of additional shares upon the settlement of RSUs issued to directors, employees and consultants, and shares issued as a result of exercises of outstanding warrants and options.

Liquidity and Capital Resources

As of March 31, 2022, our total current assets were \$64,313,000 and total current liabilities were \$7,822,000. On March 31, 2022, we had a working capital surplus of \$56,491,000, total equity of \$40,143,000, out of which \$2,050,000 is attributed to the non-controlling interest in Plurinuva, and an accumulated deficit of \$362,258,000.

Our cash and cash equivalents as of March 31, 2022 amounted to \$23,791,000, compared to \$12,265,000 as of March 31, 2021, and compared to \$31,241,000 as of June 30, 2021. Cash balances changed in the nine months ended March 31, 2022 and 2021 for the reasons presented below.

Operating activities used cash of \$28,074,000 in the nine months ended March 31, 2022, compared to \$21,313,000 in the nine months ended March 31, 2021. The increase is mainly attributed to payments made to our suppliers, an increase in payments to our employees and the strength of the NIS against the U.S. Dollar. Cash used in operating activities in the nine months ended March 31, 2022 and 2021 consisted primarily of payments of fees to our suppliers, subcontractors, professional services providers and consultants, including the costs of our clinical studies, and payments of salaries to our employees, partially offset by grants from the IIA, the EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants.

Investing activities provided cash of \$14,738,000 in the nine months ended March 31, 2022, compared to cash used of \$12,057,000 for the nine months ended March 31, 2021. The investing activities in the nine-month period ended March 31, 2022 consisted primarily of withdrawal of \$19,052,000 of long-term deposits, partially offset by the investment of \$4,233,000 in short-term deposits and payments of \$81,000 related to investments in property and equipment. The investing activities in the nine-month period ended March 31, 2021, consisted primarily of the investment of \$13,688,000 in long term deposits and payments of \$331,000 related to investments in property and equipment, partially offset by the withdrawal of \$1,962,000 of short-term deposits.

Financing activities provided cash of \$7,500,000 during the nine months ended March 31, 2022, compared to \$36,992,000 for the nine months ended March 31, 2021. The cash generated in the nine months ended March 31, 2022 from financing activities was related to net proceeds of \$7,500,000 received from investment in Plurinuva. The cash generated in the nine months ended March 31, 2021 from financing activities was related to net proceeds of \$36,628,000 comprised of funds received from our February 2021 registered direct offering and issuances made under the ATM Agreement and net proceeds of \$364,000 from the exercise of warrants.

On July 16, 2020, we entered into the ATM Agreement with Jefferies, pursuant to which we may issue and sell our common shares having an aggregate offering price of up to \$75,000,000 from time to time through Jefferies. Upon entering into the ATM Agreement, we filed a new shelf registration statement on Form S-3, which was declared effective by the SEC on July 23, 2020. During the year ended June 30, 2021, we sold 1,045,097 of our common shares under the ATM Agreement at an average price of \$8.50 per share for aggregate net proceeds of approximately \$8,506,000. During the nine months ended March 31, 2022, we did not sell any of our common shares under the ATM Agreement.

In April 2020, we and our subsidiaries, Pluristem Ltd. and Pluristem GmbH, executed the EIB Finance Agreement for non-dilutive funding of up to €50 million in the aggregate, payable in three tranches. The proceeds from the EIB Finance Agreement are intended to support our research and development in the European Union to further advance our regenerative cell therapy platform, and to bring the products in our pipeline to market. The proceeds from the EIB Finance Agreement are expected to be deployed in three tranches, subject to the achievement of certain clinical, regulatory and scaling up milestones.

During June 2021, we received the first tranche in the amount of €20 million pursuant to the EIB Finance Agreement. The amount received is due to be repaid on June 1, 2026 and bears annual interest of 4% to be paid together with the principal of the loan. As of March 31, 2022, the interest accrued was in the amount of €663,000. In addition to the interest payable, the EIB is also entitled to royalty payments, pro-rated to the amount disbursed from the EIB loan, on the Company's consolidated revenues beginning in the fiscal year 2024 up to and including its fiscal year 2030, in an amount equal to up to 2.3% of the Company's consolidated revenues below \$350 million, 1.2% of the Company's consolidated revenues between \$350 million and \$500 million and 0.2% of the Company's consolidated revenues exceeding \$500 million.

According to the IIA grant terms, we are required to pay royalties at a rate of 3% on sales of products and services derived from technology developed using this and other IIA grants until 100% of the dollar-linked grants amount plus interest are repaid. In the absence of such sales, no payment is required. Through March 31, 2022, total grants obtained from the IIA aggregated to approximately \$27,743,000 and total royalties paid and accrued amounted to \$169,000.

In June 2020, we announced that we were selected as a member of the CRISPR-IL consortium, a group funded by the IIA. CRISPR-IL brings together the leading experts in life science and computer science from academia, medicine, and industry, to develop Artificial Intelligence, or AI, based end-to-end genome-editing solutions. These next-generation, multi-species genome editing products for human, plant, and animal DNA, have applications in the pharma, agriculture, and aquaculture industries. CRISPR-IL is funded by the IIA with a total budget of approximately \$10,000,000 of which, an amount of approximately \$480,000 was a direct grant allocated to us, for the initial period of 18 months. During October 2021, we received an approval for an additional grant of approximately \$583,000 from the IIA pursuant to the CRISPR-IL consortium program, for an additional period of eighteen months.

Through March 31, 2022, we received total grants of approximately \$694,000 in cash from the IIA pursuant to the CRISPR-IL consortium program, out of which an amount of \$293,000 was received during the nine-months ended March 31, 2022.

The currency of our financial portfolio is mainly in U.S. dollars and we use options contracts and other financial instruments in order to hedge our exposures to currencies other than the U.S. dollar. For more information, please see Item 7A. - "Quantitative and Qualitative Disclosures about Market Risk" in the 2021 Annual Report.

We have an effective Form S-3 registration statement (File No. 333-239890), filed under the Securities Act of 1933, as amended, with the SEC using a "shelf" registration process. Under this shelf registration process, we may, from time to time, sell our common shares, preferred shares and warrants to purchase common shares, and units of two or more of such securities in one or more offerings up to a total dollar amount of \$250,000,000. As of May 4, 2022, other than the \$75,000,000 of common shares we are eligible to sell pursuant to the ATM Agreement, and the \$30,000,000 of common shares we sold in a registered direct offering in February 2021, no securities have been sold pursuant to our effective Form S-3 registration statement.

Outlook

We have accumulated a deficit of \$362,258,000 since our inception in May 2001. We do not expect to generate any significant revenues from sales of products in the next twelve months. Our cash needs may increase in the foreseeable future. We expect to generate revenues, from the sale of licenses to use our technology or products, but in the short and medium terms will unlikely exceed our costs of operations.

We may be required to obtain additional liquidity resources in order to support the commercialization of our products and maintain our research and development and clinical trials activities.

We are continually looking for sources of funding, including non-diluting sources such as the EIB Finance Agreement, grants from the IIA, EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants, collaboration with other companies, establishment of new ventures and sales of our common shares.

We believe that we have sufficient cash to fund our operations for at least the next 12 months.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures - We maintain a system of disclosure controls and procedures that are designed for the purposes of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO and our CFO, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting – There has been no change in our internal control over financial reporting during the third quarter of fiscal year 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 6. Exhibits.

10.1*^	<u>Share Purchase Agreement, dated January 5, 2022, by and among Tnuva Food-Tech Incubator (2019), Limited Partnership, Plurinuva Ltd. and Pluristem Ltd.</u>
10.2*^	<u>Technology License Agreement, dated January 5, 2022, by and between Pluristem Ltd. and Plurinuva Ltd.</u>
31.1*	<u>Rule 13a-14(a) Certification of Chief Executive Officer.</u>
31.2*	<u>Rule 13a-14(a) Certification of Chief Financial Officer.</u>
32.1**	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</u>
32.2**	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u>
101*	The following materials from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Interim Condensed Consolidated Balance Sheets, (ii) the Interim Condensed Consolidated Statements of Operations, (iii) the Interim Condensed Statements of Changes in Shareholders' Equity, (iv) the Interim Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Interim Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.
104*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

^ Certain identified information in the exhibit has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to Pluristem if publicly disclosed. Pluristem agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLURISTEM THERAPEUTICS INC.

By: /s/ Yaky Yanay
Yaky Yanay, Chief Executive Officer and President
(Principal Executive Officer)

Date: May 9, 2022

By: /s/ Chen Franco-Yehuda
Chen Franco-Yehuda, Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: May 9, 2022

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO PLURISTEM THERAPEUTICS INC. IF PUBLICLY DISCLOSED. OMISSIONS ARE DENOTED IN BRACKETS WITH ASTERISKS THROUGHOUT THIS EXHIBIT.

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement (this “**Agreement**”) is entered into on January 5, 2022, by and among Tnuva Food-Tech Incubator (2019), Limited Partnership, Reg. No. 540287620 with a registered address at 21 Yagia Kapayim Street, Kiryat Arie, POB 300, Petah Tikva, 4910201, Israel (the “**Investor**”), on the one side, and Plurinuva Ltd., a company incorporated in Israel, Reg. No. 516502556 with a registered address at M.T.M – Scientific Industries Centre, building 5, Haifa 3508409, Israel (the “**Company**”) and Pluristem Ltd., a company incorporated in Israel, Reg. No. 513371666 with a registered address at M.T.M – Scientific Industries Centre, building 5, Haifa 3508409, Israel (“**Pluristem**”), on the other side.

WHEREAS Pluristem has developed and holds proprietary technology and know-how that can be used, inter-alia, in the Field of License (as defined below);

WHEREAS Pluristem is wholly owned by Pluristem Therapeutics, Inc., traded in NASDAQ and the Tel Aviv Stock Exchange (“**Parent**”);

WHEREAS On November 29, 2021, Pluristem has incorporated the Company as a limited liability wholly owned subsidiary of Pluristem, which is intended to be engaged in the development, manufacturing and commercialization of technology, know-how and products that will be based on the Licensed IP (as defined below) and Licensor Improvements (as such term is defined in the License Agreement), limited however to the Field of License, all as further set forth in the Ancillary Documents (as defined below);

WHEREAS immediately prior to the Closing (as defined below) and subject thereto, Pluristem and the Company shall enter into the License Agreement (as defined below), under which Pluristem shall license to the Company the Licensed IP, limited to the Field of License, all as further set forth in, and subject to the terms and conditions of the License Agreement; and

WHEREAS recognizing the strategic importance and significant added value of the Investor and its Affiliates (as defined below) to the Company’s contemplated business, R&D efforts and commercialization, due to their extensive experience and knowledge in the full food value chain, relevant regulation and other aspects of the industry – the parties have agreed that the Investor subscribe for and purchase from the Company the Issued Shares (as defined below), and that the Company will issue and allot to the Investor the Issued Shares, and that the Investor receive from the Company the First Warrant and under certain circumstances also the Second Warrant (as both are defined below) for additional investments by the Investor in the Company, all subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of their mutual and respective undertakings and covenants herein contained, the parties hereto hereby agree as follows:

1 Definitions: Interpretation

1.1 Definitions. The following terms, as used herein, have the following meanings:

- 1.1.1 “**Affiliate**” of an entity means (i) with respect to the Investor - Tnuva Food Industries – Agricultural Cooperative in Israel Ltd. (“**Tnuva Parent**”) and any Person Controlled by Tnuva Parent, directly or indirectly, (ii) with respect to Pluristem or the Company, Parent and any Person Controlled by Parent, and (iii) with respect to any other Person - any Person Controlled by, Controlling or under common Control with such entity, directly or indirectly.
- 1.1.2 “**Ancillary Documents**” means the License Agreement, Pluristem Services Agreement, Amended Articles, Warrants, Additional Director Option and the principles of Commercialization Agreement attached hereto as Schedule 6.2 (and, when executed in accordance with the provisions hereof, the Commercialization Agreement shall also become part of the Ancillary Documents).
- 1.1.3 “**Control**” means the effective ability to control the operations of an entity or the possession, directly or indirectly, of 50% or more of the voting power or the right to appoint 50% or more of the members of the board of directors or equivalent body of such entity.
- 1.1.4 “**Encumbrance**” means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, restriction, option, warrant, right of first refusal, preemptive right, call right, or security interest of any nature (including any restriction on the voting of any security (including voting trust and voting agreement), any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, whether arising by contract or by operation of law, any assignment of the right to receive dividends or distribution of capital or assets upon liquidation, any power of attorney allowing the exercise of any right in any share, or any option or other right to acquire any share including by way of exchange or conversion.
- 1.1.5 “**Field of License**” has the meaning ascribed to it in the License Agreement.
- 1.1.6 “**Fully Diluted Basis**” means, assuming the exercise, conversion or exchange of all outstanding options, warrants and rights to exercise, convert or exchange any securities of the Company into Ordinary Shares of the Company.
- 1.1.7 “**Governmental Agency**” means any national, state, municipal, local or foreign government, any instrumentality, subdivision, court or other judicial authority, administrative agency or commission or other governmental authority or instrumentality, or any quasi-governmental or quasi-judicial or private body exercising any tax, regulatory, judicial or governmental authority, including without limitation the Israeli Innovation Authority (“**IIA**”).

- 1.1.8 “**Intellectual Property**” means any and all intellectual and industrial property rights, of all types or nature whatsoever, including without limitation: (i) patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice), including but not limited to any reissues, continuations, continuations-in-part, divisions, revisions, extensions or reexaminations thereof; (ii) trademarks, service marks, trade dress, trade names, corporate names, logos and slogans (and all translations, adaptations, derivations and combinations of the foregoing) and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights and copyrightable works; (iv) computer software, programs, flow charts, programmers’ notes, data and documentation; (v) trade secrets, confidential business information, database rights, inventions and know-how (including but not limited to ideas, formulae, compositions, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial and accounting data and related information); (vi) registrations, applications and renewals for any of the foregoing; and (vii) any other proprietary rights relating to any of the foregoing (including without limitation moral rights or similar rights and remedies against infringements thereof and rights of protection of an interest therein under the laws of all jurisdictions) – all of the foregoing whether or not registered or capable of registration, and whether subsisting in any specific country or countries or any other part of the world.
- 1.1.9 “**Law**” means any applicable local or foreign law, statute or ordinance, or any rule or regulation of any Governmental Agency, including without limitation the rules and regulations of the IIA, NASDAQ and the Tel Aviv Stock Exchange (“TASE”).
- 1.1.10 “**Permits**” means licenses, permits, authorizations, certifications, registrations, clearances, consents and approvals of any Governmental Agency.
- 1.1.11 “**Person**” means any individual, entity, partnership, trust, company or governmental body or other body (whether incorporated or unincorporated).
- 1.1.12 “**Ordinary Shares**” means the Ordinary Shares, par value NIS 0.01 per share, of the Company.
- 1.2 Interpretation. The Recitals, Exhibits and Schedules hereto consist an integral part hereof. The headings of the Sections and Subsections of this Agreement and titles and subtitles used in this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

2 Issue and Purchase of Shares; Purchase Price; Closing

- 2.1 Issue and Purchase. Subject to the terms and conditions hereof, at and subject to the Closing, the Company shall issue and allot to the Investor, and the Investor shall subscribe for and purchase from the Company, free and clear of any Encumbrances, 187,500 Ordinary Shares (the “**Issued Shares**”), which will constitute upon their issuance 15.79% of the share capital of the Company (not taking into account the reservation of Ordinary Shares under the ESOP Reservation as set forth in Section 6.3), reflecting a pre-money valuation of the Company of US\$40,000,000.
- 2.2 Purchase Price. In consideration of the Issued Shares, the Investor shall pay to the Company at and subject to the Closing the total purchase price of US\$7,500,000 (seven million and five hundred thousand US dollars) (the “**Purchase Price**”) in immediately available funds by wire transfer to the bank account of the Company the details of which will be provided in writing to the Investor prior to or at the Closing.

- 2.3 Closing. The issuance and allotment of the Issued Shares, and the subscription and purchase thereof by the Investor and the registration of the Issued Shares in the name of the Investor in the register of shareholders of the Company, shall take place by email exchanges or a meeting of the representatives of the parties as soon as practicable, but in any event not more than 10 days, after the conditions set forth in Section 3 have been met or waived in writing by the relevant party, unless agreed otherwise in writing by the parties (the “**Closing**”).
- 2.4 Transactions at Closing. At the Closing (or immediately prior thereto as specified below), the following transactions shall occur simultaneously:
- 2.4.1 Pluristem shall deliver to the Investor a resolution of the board of directors of Pluristem in the form of Schedule 2.4.1, approving the execution, delivery and performance by Pluristem of this Agreement and each of the Ancillary Documents to which Pluristem is a party.
- 2.4.2 The Company shall deliver to the Investor the following documents:
- 2.4.2.1 a unanimous resolution of the board of directors of the Company in the form of Schedule 2.4.2.1, approving: (i) the execution, delivery and performance by the Company of this Agreement and each of the Ancillary Documents; (ii) the issuance and allotment of the Issued Shares to the Investor and entering the name of the Investor as the sole holder of the Issued Shares in the shareholders register of the Company and the delivery to the Investor of an executed share certificate reflecting the Issued Shares in the name of the Investor; (iii) the grant of the First Warrant and the future grant of the Second Warrant to be granted upon fulfillment of the conditions set forth in such Second Warrant (as both terms are defined in Section 2.4.3) to the Investor and the issuance and allotment to the Investor of the shares underlying the Warrants upon their exercise (if exercised) (the “**Warrant Shares**”); (iv) the grant of the Additional Director Option to the Investor; (v) approving the Budget and Development Plan (as defined in Section 6.1; and (vi) amending the Company’s signatory rights as of the Closing pursuant to Section 6.4;
- 2.4.2.2 a resolution of Pluristem as the sole shareholder of the Company in the form of Schedule 2.4.2.2A (i) approving the replacement of the Company’s Existing Articles (as defined below) with the Amended and Restated Articles of Association in the form of Schedule 2.4.2.2B (the “**Amended Articles**”); and (ii) containing a waiver by Pluristem of any rights of first refusal, preemption rights or other rights it may have under the Articles of Association of the Company or by Law in connection with the issuance of the Issued Shares, the grant of the First Warrant and (if applicable) the Second Warrant and the issuance of the Warrant Shares upon exercise of the Warrants (if exercised);
- 2.4.2.3 an updated shareholders register of the Company, as of the Closing, showing the Investor as the sole holder of the Issued Shares, and validly executed share certificate reflecting the Issued Shares in the name of the Investor in the form of Schedule 2.4.2.3A and Schedule 2.4.2.3B, respectively;
- 2.4.2.4 the applicable forms duly executed, notifying the Registrar of Companies in Israel of the issuance and allotment of the Issued Shares to the Investor and the appointment to the board of directors of the director appointed by the Investor; and
- 2.4.2.5 legal opinions signed by Pluristem’s in-house legal counsel and the Company’s legal counsel in the form of Schedule 2.4.2.5A and Schedule 2.4.2.5B, respectively.

- 2.4.3 The Company shall deliver to the Investor a duly executed warrant in the form of Schedules 2.4.3A (the “**First Warrant**”), and a second warrant in the agreed form attached as Schedule 2.4.3B will be issued by the Company to the Investor (for the avoidance of doubt, following the Closing and not as a deliverable required hereunder) in accordance with the terms and conditions specified therein (the “**Second Warrant**”, respectively, and jointly, the “**Warrants**”).
- 2.4.4 Immediately prior to the Closing, Pluristem and the Company shall execute and deliver the License Agreement in the form of Schedule 2.4.4 (the “**License Agreement**”).
- 2.4.5 Pluristem and the Company shall execute and deliver the Services Agreement in the form of Schedule 2.4.5 (the “**Pluristem Services Agreement**”).
- 2.4.6 Pluristem, the Company and the Investor shall execute and deliver the Additional Director Option in the form of Schedule 2.4.6 (the “**Additional Director Option**”).
- 2.4.7 The Investor shall pay the Purchase Price to the Company by wire transfer, as set forth in Section 2.2.
- 2.5 Simultaneous Transactions. The transactions described above shall be deemed to take place simultaneously and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered.

3 Conditions to Closing

The parties’ obligation to consummate the transactions contemplated hereby at the Closing is subject to the satisfaction and fulfillment, prior to or at the Closing, of each of the following conditions precedent (any or all of which may be waived in writing, in whole or in part, by the applicable party at its sole discretion). The parties will act in good faith and make their best commercial efforts at all times to fulfill the conditions below.

3.1 Conditions on the Investor’s obligation to consummate the Closing:

- 3.1.1 The IIA shall have provided a written approval in substantially the form and substance as requested in the application to the IIA to be filed immediately following the execution of this Agreement in the form attached hereto as Schedule 3.1.1 (or otherwise acceptable to each of the parties) (the “**IIA Approval**”).
- 3.1.2 The Warranties set forth in Section 4 shall be true and correct in all material respects when made and as of the date of the Closing.
- 3.1.3 All covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Company and Pluristem prior to the Closing shall have been performed or complied with by the Company or Pluristem, as the case may be, in all material respects prior to or at the Closing.

- 3.1.4 The Company and Pluristem shall have obtained all consents and approvals necessary or required lawfully for the consummation of the transactions contemplated hereby, to the extent any are needed.
- 3.1.5 There shall be no legal action, suit, claim or proceeding, (specifically excluding office actions or oppositions made in the ordinary course of business of Pluristem at or prior to the Closing date), of any kind whether pending or threatened against the Company or Pluristem, that could have a direct effect on, and reasonably be expected to, jeopardize the transactions contemplated hereunder or that otherwise affects or might affect the Licensed IP.
- 3.1.6 No event, change or effect has occurred, prior to or at the Closing, that is or that could reasonably become materially adverse to the condition (financial or otherwise), properties, assets, Intellectual Property (including without limitation the Licensed IP), liabilities, business, operations, results of operation or prospects of the Company or Pluristem or Parent (a “**Material Adverse Effect**”). Without derogating from the foregoing, Pluristem and the Company shall promptly advise the Investor in writing of any event which the Company or Pluristem become aware of, affecting or that is reasonably likely to have a Material Adverse Effect on the business or assets or rights of the Company or of Pluristem or Parent.
- 3.2 Conditions on the Company’s and Pluristem’s obligation to consummate the Closing:
- 3.2.1 The IIA Approval shall have been obtained.
- 3.2.2 The Investor’s representations and warranties set forth in Section 5 shall be true and correct in all material respects when made and as of the date of the Closing.
- 3.2.3 All covenants, agreements, and conditions contained in this Agreement to be performed or complied with by the Investor prior to the Closing shall have been performed or complied with by the Investor in all material respects prior to or at the Closing.
- 3.2.4 There shall be no legal action, suit, claim or proceeding of any kind whether pending or threatened against the Investor, that could have a direct effect on and reasonably be expected to jeopardize the transactions contemplated hereunder.

4 Representations and Warranties of Company and Pluristem

The Company and Pluristem, jointly and severally (but subject at all times to Section 7.5), hereby represent and warrant to the Investor, that the representations and warranties set forth below in this Section 4, when taken together with the information set forth on the Disclosure Schedule attached hereto as Schedule 4 (“**Disclosure Schedule**”), which information shall be deemed to be part of the representations and warranties made hereunder, are true and correct as at the date hereof and at the Closing, except, in each case, as to such representations and warranties that address matters as of a particular date, which are true, correct and complete only as of such date, and acknowledge that the Investor is entering into this Agreement in reliance thereon (the “**Warranties**”).

The Warranties shall not be limited or otherwise affected or reduced by, any information furnished verbally or in writing to the Investor or any of its representatives which is not contained in a Schedule or Exhibit to this Agreement, or by any investigation made by or the knowledge of the Investor or any of its representatives.

The term “**knowledge**” as relates to the Company means the knowledge of any of the Company’s officers, directors or management personnel, as such are or were at the relevant time, and as relates to Pluristem means the knowledge of any of the following individuals: Pluristem’s Executive Chairman of the Board, CEO, CFO, Head of Legal, VP of Development and Operations and VP of Research and IP - as such are or were at the relevant time. Similar expressions, such as “awareness” shall be construed accordingly.

Any reference to the Affiliates of Pluristem under this Section 4 shall mean Pluristem and any other subsidiaries Controlled by Parent.

- 4.1 Organization and Existence; Articles. Each of the Company and Pluristem is duly organized, validly existing and in good standing under the laws of Israel, and has all requisite corporate power and authority to carry on its business as now conducted and as presently contemplated to be conducted. The Articles of Association of the Company attached hereto as Schedule 4.1 are a true and correct copy of the Articles of Association of the Company as of the date hereof and immediately prior to the Closing (the “**Existing Articles**”).
- 4.2 Corporate Authorization; Enforceability. The execution and delivery by the Company and Pluristem of this Agreement and each of the Ancillary Documents to which they are a party, and the consummation and performance by them of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on their part. The Company and Pluristem have the full power and authority to execute and perform this Agreement and each of the Ancillary Documents to which they are a party. This Agreement and each of the Ancillary Documents, as applicable, constitutes the valid and binding obligations of the Company and Pluristem, enforceable against them in accordance with their terms.
- 4.3 No Violation; Consents and Approvals. The execution and performance by the Company and Pluristem of this Agreement and each of the Ancillary Documents to which they are a party: (A) do not and will not violate, conflict with, result in a breach of or constitute a default under or result in the creation of any Encumbrance under (a) the Existing Articles or the Amended Articles, (b) any agreement, contract, license, instrument, lease or other obligation to which the Company or Pluristem is a party or by which it is bound, (c) any judgment, order, decree, ruling or injunction, or (d) any Law; and (B) except as specified under Schedule 4.3(B) to the Disclosure Schedule do not require the consent or approval of any Person or any registration or filings with, notices to, or Permit of any third party (including any Governmental Agency or other Person), which consent, approval, registration or filing has not been obtained or made prior to the date hereof or shall not be obtained or made prior to the Closing.
- 4.4 Capitalization. The authorized share capital of the Company immediately following the Closing will be 10,000,000 Ordinary Shares, par value NIS 0.01 per share, of which 1,000,000 shares will be issued and outstanding. The capitalization table attached as Schedule 4.4 truly and correctly reflects the shareholding in the Company on a Fully Diluted Basis as of immediately prior to the Closing and immediately following the Closing (taking into account also the reservation of shares for the ESOP Reservation under Section 6.3). Except for the Issued Shares to be issued under this Agreement and as noted in the capitalization table, and except for (i) the Warrants; and (ii) as set forth in the Amended Articles, there are no other share capital, preemptive rights, convertible securities, options, warrants, Encumbrances or other rights or promises to subscribe for, purchase or acquire from the Company or Pluristem any shares or any securities convertible into, or exchangeable for, or evidencing the right to subscribe for, any shares of the Company, and there are no contracts or binding commitments for any of the above. The Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its shares or any warrants, options or other rights to acquire its shares, and none of its shares are dormant (as such term is defined in the Israeli Companies Law 1999). All of the issued and outstanding shares of the Company are duly authorized, validly issued, fully paid and non-assessable and shall have immediately following the Closing the rights, preferences, privileges, and restrictions set forth in the Amended Articles. Other than as set forth in the Amended Articles, the authorized but unissued share capital of the Company is not subject to any Encumbrance.
- 4.5 Valid Issuance of Shares; Ownership of Shares. The Issued Shares, when issued and allotted to the Investor in accordance with the terms of this Agreement for the Purchase Price, and the Warrant Shares will be upon exercise of the Warrants (in whole or in part) for the exercise price thereof, duly authorized, validly issued, fully paid and non-assessable, and their issuance will be free of any Encumbrances. The rights, privileges and preferences of the Issued Shares are as stated in the Amended Articles.

- 4.6 Company Compliance. The Company is not in violation of (i) the terms of the Existing Articles, (ii) any agreement, contract, license, instrument, lease or other obligation to which it is party or by which it is bound, (iii) any judgment, order, decree, ruling or injunction, or (iv) any Law. Other than as set forth in Schedule 4.6, as of the Closing, the Company is not required under Law to hold any Permits or to make any filings with, or notifications to, any Governmental Agencies, other than in connection with the IIA Approval (all communication with whom has been coordinated with and made in full transparency to the Investor).
- 4.7 No Conduct of Business. The Company does not and has not in the past traded or conducted any business. Except as set forth in Schedule 4.7, as of immediately prior to Closing, other than this Agreement and the Ancillary Documents and as set forth hereunder and thereunder, or in connection with its incorporation and corporate status: (i) the Company is not a party to any agreements, contracts or arrangements, oral or written, (ii) the Company has no employees; (ii) the Company has no subsidiaries; (iv) the Company did not receive any Grants and Benefits (as defined below), and (v) the Company does not have any assets, rights, debts, liabilities, commitments or obligations of any kind, including without limitation any tax liabilities.
- 4.8 Company Directors and Officers. As of immediately prior to the Closing, the directors and officers of the Company will be as set forth on Schedule 4.8. Other than as set forth in Schedule 4.7, there are no agreements, commitments or understandings, whether written or oral, with respect to any compensation to be provided to any of the Company's directors or officers.
- 4.9 Intellectual Property.
- 4.9.1 No Intellectual Property is owned by or licensed to any Affiliates of Pluristem (to clarify, including without limitation Parent and any direct or indirect subsidiaries of Parent, excluding the Company), and all Intellectual Property which is used or contemplated to be used by Pluristem or any of its Affiliates in their existing or currently contemplated business (including the Licensed IP) is owned by or licensed (by third parties) to Pluristem.
- 4.9.2 Schedule 4.9.2A contains a true and accurate (within the level of description) description of all Intellectual Property licensed to the Company by Pluristem (the "**Licensed IP**"). The Licensed IP constitutes all Intellectual Property owned by Pluristem and which is relevant to and required for the Company's business as contemplated to be conducted under the Ancillary Documents. Pluristem does not license from any third party any Intellectual Property that is included in the Licensed IP.
- 4.9.3 Except as detailed in the License Agreement and in Schedule 4.10 hereto, Pluristem is the true, lawful, and sole and exclusive owner of all of the Licensed IP and has valid title in and to all of the Licensed IP, free and clear of any Encumbrances and/or third party rights of any kind and has no outstanding debts or financial liabilities to any Person in connection with the Licensed IP except to the IIA as set forth in Section 4.10 or which are not reasonably expected to jeopardize the transactions contemplated hereunder and under the Ancillary Documents. Other than as set forth in the License Agreement, the licensing of the Licensed IP to the Company under the License Agreement does not require the consent of any Person and does not infringe any Intellectual Property or other rights of any Person.
- 4.9.4 The Licensed IP does not infringe, violate or conflict (except in regards to office actions or oppositions made in the ordinary course of business of Pluristem, all of which (in this Section 4.9.4 and in any other reference in this Agreement to office actions and oppositions) are either online or were delivered to the Investor's representatives prior to the date hereof) with any Intellectual Property of any other Person in a manner that could affect Pluristem's ability to grant the license to the Licensed IP, including any present or former employees or consultants of Pluristem or any of its Affiliates.

All current and former employees and consultants of Pluristem and its Affiliates involved in the development of the Licensed IP have entered into written agreements with Pluristem or any such Affiliate, assigning to Pluristem all rights in such Intellectual Property developed in the course of their employment by or service to Pluristem or its Affiliates, and each of Pluristem's employees and other Persons who, either alone or in concert with others, developed, invented, discovered, derived, programmed or designed such Intellectual Property consisting part of the Licensed IP, or who has knowledge of or access to information about such Intellectual Property, have entered into a customary written non-disclosure agreement with Pluristem or the applicable Affiliate.

- 4.9.5 Except in regards to office actions or oppositions made in the ordinary course of business of Pluristem, no claims with respect to the Licensed IP have been asserted or, to Pluristem's or the Company's knowledge, are threatened, by any Person, and there is no basis for such claims, including without limitation: (i) to the effect that the design, development, manufacture, sale, licensing or use of the Licensed IP or any product or service provided or contemplated by Pluristem and/or its Affiliates on the basis of the Licensed IP infringes any copyright, patent, trade secret or other Intellectual Property right of any Person, (ii) challenging the ownership of any of the Licensed IP or the validity or effectiveness of any Intellectual Property right therein, and/or (iii) that any Person other than Pluristem has any ownership or economic interest in any of the Licensed IP, all in a manner that could affect Pluristem's ability to grant the license to the Licensed IP.
- 4.9.6 A complete and accurate list of all registered and pending patents, whether in the form of utility patents or design patents, and of all trademarks and designs, which are included in the Licensed IP, and all pending applications therefor, is set forth in Schedule 4.9.6. Pluristem has complied in all material respects with the requirements of, and has timely filed all documentation required in dealing with, and has timely paid all required payments in respect of, all patents and patent applications to any patent office or registry in which its patent applications were filed; and all patents, and applications for the same listed in such Schedule 4.9.6 are in effect, and, to Pluristem's knowledge other than in regards to office actions or oppositions made in the ordinary course of business of Pluristem, there is no prior art, prior use or any other claim which would prevent Pluristem from receiving useful protection for such patents, and applications for the same; all of the foregoing, to the extent applicable to the Licensed IP only.
- 4.9.7 To Pluristem's knowledge, other than in regards to office actions or oppositions made in the ordinary course of business of Pluristem, none of the Licensed IP is the subject of any interference, opposition, reissue, reexamination, or other proceeding, and no proceeding has been pending or, to the knowledge of Pluristem, threatened, in which the scope, validity, or enforceability of any Licensed IP is being, has been, or could reasonably be expected to be contested or challenged.
- 4.9.8 Other than in connection with the IIA as set forth in Section 3.1.1: (i) there are no outstanding options, licenses, or agreements of any kind relating to the Licensed IP that could affect Pluristem's ability to, or which conflict with the, grant the license to the Licensed IP and (ii) other than as set forth in Schedules 4.9.8 and 4.10, neither the Company nor Pluristem nor any of their Affiliates (including without limitation Parent) is obligated, under contract or by law, to pay any compensation or royalties to any third party in respect of the use, transfer or sale of any portion of the Licensed IP. Neither the Company nor Pluristem nor any of their Affiliates (including without limitation Parent) has granted to or assigned to any other Person any right to develop, manufacture or sell products or proposed products or services in the Field of License or which conflict the provision of the license pursuant to the License Agreement, that incorporate or are based on any part of the Licensed IP or that otherwise relate to the Licensed IP or any part of it.
- 4.9.9 Pluristem has taken at all times security measures to protect the confidentiality and value of the Licensed IP, which measures are no less than reasonable and customary in the relevant industry.
- 4.9.10 To Pluristem's knowledge, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Licensed IP.
- 4.9.11 Except as set forth on Schedule 4.9.11, neither Pluristem nor any former or present employee or consultant of Pluristem or its Affiliates, has used, modified, distributed, or embedded into or otherwise combined with Pluristem's products or technology or any part of the Licensed IP, nor is any of the Licensed IP subject to the provisions of any license for, any open source, copy left or community source code, including but not limited to any GNU or GPL libraries or code or other software that is distributed as "open source software" or "free software" or under similar licensing or distribution terms ("**Open Source Software**") that: (A) could create, or purport to create, obligations with respect to the use or distribution of any Licensed IP or Company or Pluristem products or a derivative work thereof, including but not limited to obligations regarding the disclosure or distribution of source code for the Company's or Pluristem's products, requiring to license Licensed IP or any portion thereof for the purpose of making modifications or derivative works, requiring the distribution of Licensed IP or any portion thereof without charge or permit any person to decompile, disassemble, or otherwise reverse-engineer any Licensed IP; (B) grant, or purport to grant, to any third party any rights or immunities under the Licensed IP; or (C) otherwise impose a limitation, restriction or condition on the right of the Company or Pluristem to use the Licensed IP or distribute its products or any portion thereof.

4.10 Grants and Benefits.

- 4.10.1 Schedule 4.10 includes a complete list and material details of all grants, loans, tax relief, funding, facilities or resources or other benefits received by Pluristem and/or its Affiliates from Israeli and non-Israeli Governmental Agencies or academic or research institutions which is related directly or indirectly to the Licensed IP (whether on a stand-alone basis or as part of or in combination with other Intellectual Property) (collectively, the “**Grants and Benefits**”), specifically excluding use of facilities and resources based on ordinary course agreements which do not provide the grantor any rights or benefits in or to the Licensed IP (the “**Permitted Use**”). Other than the Grants and Benefits and for Permitted Use, no funding, facilities or resources of any Governmental Agency or academic or research institutions was used in the development of the Licensed IP and no Person participating in the conception, reduction to practice, development, invention, discovery or design of any items included in the Licensed IP has used any facilities, received any remuneration from, or was concurrently employed by, any academic or research institution or Governmental Agency while so participating in the conception, reduction to practice, development, invention, discovery or design of any items included in the Licensed IP. Other than as set forth on Schedule 4.10, no Governmental Agency or academic or research institutions have any rights whatsoever in the Licensed IP, including any rights to receive payments whether by royalty or otherwise in connection with the Licensed IP.
- 4.10.2 Pluristem and its Affiliates are in compliance with all provisions, terms and conditions applicable to the Grants and Benefits, including, without limitation, the timely filing of all reports and requests, and the application for and obtainment of all consents and approvals, required to be filed, applied for or obtained, as applicable, under any of the foregoing or under any Law.
- 4.10.3 Without derogating from the foregoing, Pluristem and its Affiliates do not manufacture outside of Israel, have not stated to the IIA that they will do so and have not submitted any request to the IIA for permission to do so, to the extent related to the Licensed IP. Pluristem and its Affiliates have not transferred, in any manner, any IIA-funded Intellectual Property which is related to the Licensed IP outside of Israel, and have not submitted any request to the IIA for permission to do so.
- 4.10.4 Pluristem has made available to the Investor, prior to the date hereof, correct and complete copies of all material documents evidencing the Grants and Benefits submitted or received by Pluristem and its Affiliates and related letters of approval, and supplements thereto, granted to Pluristem and any other applicable correspondence; all the foregoing in connection with the Licensed IP. Without limiting the generality of the above, Schedule 4.10 includes all information regarding (a) the amounts of each of such Grants and Benefits, (b) the outstanding obligations of Pluristem and its Affiliates under such Grants and Benefits with respect to royalties or other repayment schedule applicable to such Grants and Benefits, and (c) any outstanding amounts to be paid by the IIA or any other applicable Governmental Agency which is related to the Licensed IP to Pluristem or its Affiliates.
- 4.10.5 Pluristem has no knowledge of any event or other set of circumstances that are reasonably likely to lead to the revocation or modification of any of the Grants and Benefits.
- 4.11 Litigation. There is no (and to Pluristem’s and the Company’s knowledge threatened) claim, action, suit, arbitration, or, to their knowledge, investigation, proceeding, complaint or charge, pending, against the Company or any of its properties or assets, or any officer, director or employee. To Pluristem’s and the Company’s knowledge, none of its officers, directors, consultants or employees, in their capacity as such, is a party to or is named in any order, writ, injunction, judgment or decree of any Governmental Agency.
- 4.12 Employees and Service Providers. The following representations and warranties refer only to Pluristem’s employees, consultants and service providers who will provide services to the Company under the Pluristem Services Agreement (collectively, the “**Services Agreement Providers**”):
- 4.12.1 All of the Services Agreement Providers have executed employment, consultancy or service agreements (as applicable) with Pluristem. The employment agreements of any Services Agreement Providers who are employed by Pluristem are materially in the template form delivered to the Investor prior to the date of this Agreement.

- 4.12.2 Pluristem is materially in compliance with all applicable Law in connection with engagement with the Services Agreement Providers, and is not delinquent in payments or contributions to or for the benefit of any of the Services Agreement Providers, for any wages, salaries, fees, commissions, bonuses, tax withholding, managers insurance funds, vocational study funds, pension funds, severance pay accrual or other direct compensation for any services performed for it or amounts required to be reimbursed to such Services Agreement Providers. To Pluristem's knowledge, no Services Agreement Provider is in violation of any term of any employment contract, proprietary information agreement or any other agreement relating to the right of any such Services Agreement Provider to be employed by, or to contract with, Pluristem or to provide the services to the Company under the Pluristem Services Agreement; and the continued employment or engagement by Pluristem of the Services Agreement Providers will not result in any such violation. To Pluristem's knowledge, no Services Agreement Provider who is deemed as key employee in Pluristem intends to terminate his, her or its employment or engagement with Pluristem. To Pluristem's knowledge, none of the Services Agreement Providers who is deemed as key employee in Pluristem is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any judicial authority or Governmental Agency, that would materially interfere with such Services Agreement Provider's ability to provide the services as a Service Agreement Provider.
- 4.13 Insurance. Pluristem holds the insurance policies set forth in Schedule 4.13, all of which are valid and effective.
- 4.14 No Corrupt Practices. Neither Pluristem nor, to Pluristem's knowledge, any officer, director, employee or agent purporting to act on its behalf has, directly or indirectly: (i) made, offered to make, provided or paid any unlawful contributions, gifts, entertainment or other unlawful expenses to any local or foreign official, political party or official thereof or candidate for political office, or failed to disclose fully any such contributions in violation of any applicable laws; (ii) made, or offered to make, any unlawful payment to any local, state, federal or any other type of governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable laws (including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended); (iii) made, or offered to make, any unlawful payment to any agent, employee, officer or director of any entity with which Pluristem does business for the purpose of influencing such agent, employee, officer or director to do business with Pluristem; (iv) engaged in any transactions, maintained any bank account or used any corporate funds, except in all material respects, in accordance with applicable financial recordkeeping, reporting and internal control requirements; or (v) made, or offered to make, any payment in the nature of criminal bribery. Neither Pluristem, nor, to Pluristem's knowledge, any of its officers, directors or employees, present or past, in their capacity as such, are the subject of any allegation, voluntary disclosure, investigation, prosecution or other enforcement action related to any anti-corruption laws.
- 4.15 Solvency and Compliance.
- 4.15.1 No order or application has been made or resolution passed for the winding up of the Company or Pluristem or for the appointment of a liquidator to the Company or Pluristem or for an administration order in respect of the Company or Pluristem. No receiver, trustee or administrator has been appointed of the whole or part of the Company's or Pluristem's business or assets nor has the Company or Pluristem applied for or consented to such appointment. No voluntary arrangement has been proposed in respect of the Company or Pluristem. No compromise or arrangement with creditors has been proposed, agreed to or sanctioned in respect of the Company or Pluristem. Neither the Company nor Pluristem is insolvent or unable to pay its debts, or stopped paying its debts as they fall due, or has admitted its inability to pay its debts. There is no unsatisfied judgment or court order outstanding against the Company or Pluristem. Neither the Company nor Pluristem has suffered any equivalent or analogous proceedings or orders to any of those described in this Section 4.15.1 under the law of any jurisdiction in which the Company or Pluristem carries on business or have assets.
- 4.15.2 Pluristem has no liabilities, claims or obligations of any nature (including without limitation tax liabilities), whether accrued, absolute, contingent, anticipated, or otherwise, whether due or to become due, that Pluristem cannot pay when due and which are or could reasonably be expected to jeopardize the transactions contemplated hereunder and under the Ancillary Documents or that otherwise affects or might affect the Licensed IP.

4.15.3 With respect to the Licensed IP: (i) Pluristem has complied with and is in compliance with all terms and conditions of each applicable Permit and with any Law; (ii) Pluristem is in compliance with all applicable reporting requirements under such applicable Permits and Laws, including applicable adverse event reporting requirements; and (iii) Pluristem has not received any notice or other communication from any Governmental Agency alleging any breach of the Permits or violation of any Law.

4.16 Disclosure. No representation or warranty of the Company or Pluristem contained in this Agreement, and no certificate furnished or to be furnished to the Investor at the Closing, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. There is no fact within the knowledge of the Company or Pluristem which has not been disclosed herein and which has or may have a Material Adverse Effect on the Company or on Pluristem. Except for the representations specifically provided herein by the Company and Pluristem, the Company and Pluristem are not making any additional representations or warranties to the Investor in connection with the transactions contemplated hereunder.

5 Representations and Warranties of Investor

The Investor represents and warrants to the Company and Pluristem the following to be true and correct as at the date hereof and at the Closing, except as otherwise specifically indicated below:

- 5.1 Organization and Existence. The Investor is a limited partnership duly incorporated and registered and validly existing under the laws of the State of Israel, is Controlled and fully owned (whether directly or indirectly) by Tnuva Parent, and has all corporate powers and authorizations, consents and approvals required to carry on its business as now conducted.
- 5.2 Corporate Authorization; Enforceability. The execution and delivery by the Investor of this Agreement and each of the Ancillary Documents to which it is a party, and the consummation and performance by it of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on its part. The Investor has the full power and authority to execute and perform this Agreement and each of the Ancillary Documents to which it is a party. This Agreement and each of the Ancillary Documents to which it is a party, as applicable, constitutes the valid and binding obligation of the Investor, enforceable against it in accordance with its terms.
- 5.3 No Violation; Consents and Approvals. The execution and performance by the Investor of this Agreement and each of the Ancillary Documents to which it is a party: (A) does not violate, conflict with, or result in a breach or violation of or constitute a default under (a) any agreement, contract, license, instrument, lease or other obligation to which the Investor is a party or by which it is bound, (b) any judgment, order, decree, ruling or injunction, (c) any Law applying to it, or (d) as at the Closing, any of its corporate documents (and the Investor undertakes to amend and register its corporate documents accordingly as soon as practicable after the date of this Agreement to the extent required); and (B) does not require the consent or approval of any Person or any registration or filings with, notices to, or Permit of any third party (including any Governmental Agency or other Person), which consent or approval shall not be obtained prior to the Closing.
- 5.4 Purchase Entirely for Own Account; No Public Market. The Issued Shares and the Warrant Shares (to the extent the Warrant shall be exercised) (collectively, the “**Purchased Securities**”) will be acquired for investment for the Investor’s own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor does not presently have any contract, undertaking, agreement or arrangement to sell, transfer or grant participation rights to any person with respect to any of the Purchased Securities. The Investor has not been formed for the specific purpose of acquiring the Purchased Securities. The Investor understands that the Purchased Securities have not been registered under the Securities Act of 1933 as amended (the “**Securities Act**”) and no public market now exists for any of the securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Company’s securities.

- 5.5 Disclosure of Information. The Investor represents that it has had an opportunity to complete a due diligence review and had an opportunity to discuss and receive answers from the Company's and Pluristem's management regarding their business, operations, properties, prospects, technology, plans, management, financial affairs and the terms and conditions of the offering of the Purchased Securities, and has had an opportunity to review the relevant facilities and premises. The foregoing, however, does not limit, modify or qualify the Warranties made in Section 4 or the right of the Investor to rely on them. The Investor acknowledges that any projections provided (if any) by the Company or Pluristem are uncertain in nature, and that some or all of the assumptions underlying such projections may not materialize or may vary significantly from actual results.
- 5.6 Investment Experience; Accredited Investor; Non-U.S. Person. The Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating and understanding the merits and risks of the investment in the Purchased Securities and has the capacity to protect its own interests, in addition the Investor is aware of the Company's business affairs and financial condition as presented to it by the Company and Pluristem, and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Purchased Securities (on the basis of and without derogating from the Warranties under Section 4). Moreover, the Investor acknowledges that due to the inherent risk involved in such investment, the Investor's investment may be substantially or totally lost. The Investor is either (i) an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act, or (ii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that the Investor is a non U.S. Person, such Investor (x) is not acquiring Purchased Securities for the account or benefit of any U.S. Person, (y) is not, at the time of execution of this Agreement, and will not be, at the time of the Closing, in the United States and (z) is not a "distributor" (as defined in Regulation S promulgated under the Securities Act).

6 Parties' Covenants

- 6.1 Use of Proceeds. The Company shall use the Purchase Price solely in accordance with the Budget attached hereto as the 3rd Tab ('2 year budget') of the spreadsheet attached hereto as Schedule 6.1 (the "**Budget**" and "**Spreadsheet**", respectively) for the purpose of attaining the development goals set forth in the 4th Tab ('2 year budget R&D') of the Spreadsheet (the "**Development Plan**"), as may be amended from time to time by the Board of Directors of the Company subject to the provisions of the Amended Articles .
- 6.2 Commercialization Agreement. The parties shall negotiate and conclude as soon as practicable after the Closing, but in any event within not more than 12 months therefrom, a Commercialization Agreement between the Company and the Investor or an Affiliate of the Investor to be designated by it, on the basis of the principles set out on Schedule 6.2 and otherwise on customary terms. In the event that the parties are unable, despite of their bona fide efforts, to finalize during the said period in a reasonable and customary form the terms of the Commercialization Agreement based on the principles specified under Schedule 6.2, then the parties shall within 14 days, mutually agree on a senior commercial partner in one of the top law firms in Israel, which firm and partner are not and were not (during the preceding 12-month period) engaged in the provision of any legal services to either of the parties to this Agreement or any of their respective Affiliates, who shall be appointed by the parties as an appraiser for the sole purpose of meeting with the parties and working with them in order to finalize the Commercialization Agreement in accordance with the provisions hereof within 30 days from the appointment of such appraiser. The costs and expenses of the appraiser will be borne as follows: 60% by the Company and 40% by the Investor. The parties will cooperate with the appraiser and provide all information and documents required by him for this purpose, subject to customary confidentiality undertakings.

- 6.3 Reservation of Shares. The Company shall adopt as soon as practicable after the Closing an Employee Stock Option Plan in customary form acceptable to the Investor (the “**ESOP**”), and shall reserve out of its authorized and unissued share capital Ordinary Shares for future grants of options under such plan in an aggregate amount constituting [**%] of the Company’s share capital on a Fully Diluted Basis, as shown in the post-closing capitalization table in Schedule 4.4 (“**ESOP Reservation**”).
- 6.4 Signatory Rights. As of the Closing, the Company’s signatory rights shall be as set out on Schedule 6.4.
- 6.5 Directors and Officers Insurance. As soon as practicable after the Closing, the Company shall purchase a directors and officers liability insurance policy in an amount of at least [\$**] (or a lower amount if reasonably acceptable to the Investor) and upon other terms acceptable to the Investor.
- 6.6 Filing with the Israeli Registrar of Companies. As soon as practicable after the Closing, and in any event not later than 14 days therefrom, the Company shall file the notices set forth in Section 2.4.2.4 with the Israeli Registrar of Companies.
- 6.7 Intellectual Property. At any time after the Closing, without limitation, no Intellectual Property which constitutes Licensor Background Technology (as such term is defined in the License Agreement) will be owned by any Person other than Pluristem, except for (i) transfers to any Affiliate of Pluristem, (ii) any transfer and assignment of the Licensor Background Technology as part of a merger or sale of all or substantially all of the assets of Pluristem, or (iii) transfer of a specific unit or line of business of Pluristem or any of its Affiliate (so long as such specific unit or line of business do not comprise only Pluristem’s rights and obligations as a licensor under the License Agreement) (each of the foregoing (ii) and (iii), a “**Sale Transfer**”); provided that such transfers do not jeopardize the Company’s rights under any applicable Ancillary Document, and that the transferee undertakes in writing in favor of the Company to be bound by the liabilities and obligations transferred to it by Pluristem under the applicable Ancillary Document; and provided, further, that in the event of such transfer to Affiliates, Pluristem shall remain liable to the Company for the compliance by such Affiliates with their liabilities and obligations under such assignment and transfer. The obligations in this Section 6.7 shall apply also to Licensor Improvements, as they will be at any time, but only during the Improvement Period (as defined in the License Agreement).
- 6.8 Registration of Exclusivity. As soon as practicable after the Closing, and in any event not later than [**] day therefrom, Pluristem shall apply to the USPTO and to any other national patent office applicable to the Licensed IP, to register the exclusive license granted to the Company by Pluristem under the License Agreement. As soon as practicable after the effective date of the Commercialization Agreement, and in any event not later than [**] days therefrom, the Investor (or its Affiliate which is a party to the Commercialization Agreement if other than the Investor) may at its discretion apply to the USPTO and to any national patent office applicable to the Licensed IP and/or to any other Intellectual Property to be licensed by the Company to the Investor or its Affiliate under the Commercialization Agreement, to register the exclusive license granted to the Investor or its Affiliate by the Company thereunder. Pluristem and the Company shall reasonably assist the Investor or its Affiliate in such applications, if the Investor or its Affiliate chooses to file them, including by providing relevant documents required which are in Pluristem’s or the Company’s possession or control.

6.9 Additional Ventures.

- 6.9.1 If Pluristem, Parent, or any other direct or indirect subsidiary of Parent will decide at any time during the seven (7)-year period following the Closing, to utilize their Intellectual Property (as it may be at any time) in the fields of (i) cultured milk, and/or (ii) cultured fish and seafood, then, if the Investor will elect to participate (directly or through any of its Affiliates which is Controlled by Tnuva Parent as may be designated by it) in any such new venture in accordance with the provisions below, Pluristem or such relevant Affiliate will spin off such activity in these fields or otherwise operate in it through separate entities (whether or not in cooperation with third parties), and the Investor (or its designated Affiliate as described above) shall be entitled, at its discretion, to be a co-founder in such entities and invest in them pursuant to the terms of Schedule 6.9, and to such other commercial rights which shall be similar, *mutatis mutandis*, to the rights of Pluristem and the Investor agreed in this Agreement and the Ancillary Documents in connection with the Company. Notwithstanding the foregoing, in the event that Pluristem consummates a Sale Transfer, it shall require the acquirer in such Sale Transfer to assume Pluristem's undertakings under this Section 6.9.1 for the remaining period of the said 7-year period with respect to any utilization of the applicable Intellectual Property as it may be on the time of the said applicable Sale Transfer (as shall be notified by Pluristem to the Investor), and without applying any additional obligations on such acquirer.
- 6.9.2 The Investor shall provide to Pluristem its written notice of whether or not it wishes to participate (or have its designated Affiliate as described above participate) in such venture not later than [**] days from the time it received a reasonably detailed notice from Pluristem concerning such venture, provided that Pluristem and its relevant Affiliates deliver to the Investor in a timely manner such information and documents in their possession or control reasonably requested by it in connection with making its decision. If the Investor elects to participate in such venture, Pluristem and the Investor (or its designated Affiliate as described above) shall negotiate and conclude the detailed agreements for such participation within not more than [**] days from the Investor's notice of acceptance, provided that Pluristem and its Affiliates deliver to the Investor any relevant information and documents reasonably requested by the Investor in connection with the negotiation of such agreements within [**] days from the Investor's written request if such information is in their possession or control at such time, or if it is not in their possession or control (and without extending the said [**]-day period) they shall use reasonable commercial efforts to produce and deliver to the Investor any such other information as promptly as reasonable possible.
- 6.10 No Negotiations with Third Parties. From the date hereof until the earlier of the Closing or the date on which this Agreement is terminated in accordance with Section 8:
- 6.10.1 the Company, Pluristem and their Affiliates will not, directly or indirectly: (i) hold or participate in discussions or enter into any transaction for the sale, transfer, licensing or other disposition of or giving rights in the Licensed IP, other than in the ordinary course of business and in a manner which does not prevent the transactions contemplated under this Agreement or the Ancillary Documents, or to the Company's shares or other assets, or for the financing of the Company, or any other discussions or transactions the result of which will be to frustrate the transactions hereunder and thereunder, or (ii) disclose any information not customarily disclosed to any Person concerning any of the foregoing (except in order to facilitate the transactions contemplated hereunder and thereunder); and
- 6.10.2 the Investor, Tnuva Parent and its Affiliates (provided that for the purpose of this Section 6.10.2, the definition of "Control" shall mean more than [**]% of the voting rights or the right to appoint directors) will not, directly or indirectly, hold or participate in discussions or enter into any transaction in the Field of License (as such term is defined in the License Agreement) which may be competitive to, or the result of which, will be to frustrate, the transactions under this Agreement or the Ancillary Documents. For the avoidance of doubt, any discussions and/or transactions held or entered into by [**], shall not be prohibited by this Section 6.10.2.

- 6.11 Conduct Pending Closing. From the date hereof and until the Closing, (i) the Company shall promptly notify the Investor of any event or occurrence or emergency not in the ordinary course of business, and (ii) both the Company and Pluristem shall promptly notify the Investor of any event which could reasonably be expected to have a Material Adverse Effect on any of them or their Affiliates, or which constitutes a material breach of the Representations and Warranties set forth in Section 4.
- 6.12 Communication with IIA. From the date hereof until the Closing, all communication between Pluristem, the Company or any of their Affiliates and the IIA which relates to or has an effect on the IIA Approval shall be made in coordination with and in full transparency to the Investor, including prompt delivery to the Investor of any written communication and documents. Following the Closing, and as long as the Investor holds at least [**]% of the Company's issued and outstanding share capital, each of Pluristem and the Company, with respect to itself, shall notify the Investor of any of its material communications with the IIA concerning the IIA Approval and/or which may otherwise have a material effect on the Company's rights to the Licensed IP and/or the Field of License and/or on any other Intellectual Property that may be developed or owned by the Company at any time.
- 6.13 Confidentiality. Each of the parties shall, and shall procure that its Affiliates shall, keep this Agreement and related correspondence and any confidential information disclosed by the other parties in strict confidence, and shall not disclose them to any third party nor use them for any purpose except as required by Law or in accordance with the provisions of any stock exchange regulations applicable to any of the parties or their respective Affiliates, or to Governmental Agencies in connection with their required approvals for the transactions contemplated hereunder, or as otherwise shall be permitted or required pursuant to this Agreement or the Ancillary Documents; provided, however, that the parties may disclose such information to their potential investors (within the scope of a due diligence process, subject to customary confidentiality obligations), or to their advisers who are bound by confidentiality obligations, or to their officers, directors and shareholders. No release shall be made by any party to the news media or the general public relating to this Agreement or the Ancillary Documents or the subject matter hereof or thereof without prior written consent of the other parties.
- 6.14 Royalties to Investor. The Company shall pay royalties to the Investor or its designated Affiliate pursuant to, and under the circumstances set forth in, the last item of Schedule 7.1.1 of the License Agreement (if and to the extent applicable).
- 6.15 Efforts; Further Assurances. Each party shall use its best efforts, after the date of this Agreement and as may be required after the Closing, to fulfill the respective conditions to Closing of that party and to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under Law to consummate the transactions contemplated by this Agreement and the Ancillary Documents. Each party agrees to execute and deliver or to cause to be executed and delivered such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement and give effect expeditiously to the transactions contemplated by this Agreement and the Ancillary Documents.

7 Indemnification

- 7.1 Survival of Representations and Warranties. The representations and warranties of the Company and Pluristem made pursuant to this Agreement shall survive the execution and delivery of this Agreement until the second anniversary of the Closing, except that the representations (A) in Sections 4.1 (Organization and Existence; Articles), 4.2 (Corporate Authorization; Enforceability), 4.3 (No Violation; Consents and Approvals), 4.4 (Capitalization) and 4.5 (Valid Issuance of Shares; Ownership of Shares) shall survive for a [**] year period as of the Closing; and (B) in Section 4.9 (Intellectual Property) shall survive for a [**] year period as of the Closing, (as applicable, as the "**Claims Period**").

7.2 Indemnification Obligation.

- 7.2.1 The Company and Pluristem, jointly and severally (subject however to Section 7.5), shall protect, defend, indemnify and hold harmless the Investor and Investor's Affiliates, and their respective officers, directors, employees, representatives and agents (each of the foregoing Persons is hereinafter referred to individually as an "**Investor Indemnified Person**" and collectively as "**Investor Indemnified Persons**"), from and against any and all losses, costs, damages, penalties, fines, interest, liabilities, fees and expenses (including, without limitation, reasonable out-of-pocket attorneys' fees and expenses, costs of investigation, court costs and costs of defense) (collectively, "**Losses**"), that any Investor Indemnified Person incurs as a result of a breach of any representations, warranties, covenants or undertakings given or made by the Company or Pluristem in this Agreement.
- 7.2.2 The foregoing indemnification shall be subject to the following: (A) in no event shall the Investor Indemnified Persons be entitled hereunder to any amount of damages or reimbursement in connection with a breach of representations and warranties that exceeds in the aggregate the total of [**]; and (B) no claims for a breach of warranties or representations made under this Section 7.1 shall be brought against the Company or Pluristem unless such Losses (excluding the costs of preparation and filing such claim) exceed in the aggregate [US\$**] at which time the Investor Indemnified Persons shall be indemnified for the entire amount of such Losses (from the first dollar) suffered by them. None of the above limitations shall apply in case of fraud or intentional misconduct by or on behalf of the Company or Pluristem.
- 7.2.3 The indemnification provided under this Section 7.12 shall be the exclusive legal remedy for monetary Losses of Investor hereunder resulting from any breach of representations, other than in the case of fraud or intentional misrepresentation.
- 7.3 Indemnifying Party. Subject to Section 7.5, it is clarified and agreed that an Investor Indemnified Person may elect to pursue indemnification from the Company, Pluristem or any or both of them, jointly and severally in each case, at the discretion of such Investor Indemnified Person, *provided however*, that in no case will an Investor Indemnified Person shall entitled to be indemnified more than once for the same Losses.
- 7.4 Indemnification Procedure. Any Investor Indemnified Person wishing to assert a claim for indemnification hereunder shall notify, through the Investor, the Company and Pluristem of such claim (a "**Claims Notice**"), describing in reasonable details the basis of the asserted claim. If such Claims Notice results from a third party claim, such Investor Indemnified Person shall promptly as practicable upon becoming aware of the commencement of proceedings by such third party provide the Claims Notice, through the Investor, to the Company and Pluristem and each of the Company and Pluristem may assume the defense thereof (at its expense) and the Investor Indemnified Person shall reasonably cooperate with the Company and/or Pluristem in connection therewith; provided that the Investor Indemnified Person (together with all other Investor Indemnified Persons as applicable that may be represented without conflict by one counsel) may retain its own counsel if such Person is a party to such claim. In any event, in the event that an Investor Indemnified Person is a party under a third party claim, neither the Company and Pluristem nor the Investor Indemnified Persons shall be entitled to settle any such proceeding without the prior consent of the other parties not to be unreasonably withheld or delayed (i.e. the Investor on behalf of all applicable Investor Indemnified Persons, or the Company and Pluristem, as applicable). This Section 7.4 shall be subject to the following Section 7.5.

7.5 Limitations on Claims against Pluristem.

- 7.5.1 Notwithstanding anything to the contrary in this Section 7, an Investor Indemnified Person may only make an indemnity claim against Pluristem under this Section 7 for a breach of any representations and warranties made by, or in relation to, the Company, if it had first made a claim against the Company which was ruled in its favor, and such Investor Indemnified Person was not successful in collecting the damages or losses ruled to be due to it from the Company. It is clarified that the preceding sentence shall not apply to a breach of representations and warranties regarding Pluristem itself and its Affiliates (other than the Company), and it is agreed, notwithstanding anything to the contrary therein, that the preceding sentence shall not apply to a breach of the representations and warranties under Section 4.9 (Intellectual Property) and Section 4.10 (Grants and Benefits) - all of the foregoing which shall entitle the Investor Indemnified Persons to make an indemnity claim against Pluristem without making a claim first against the Company.
- 7.5.2 Further notwithstanding anything to the contrary in this Section 7 and notwithstanding anything to the contrary in the License Agreement (which the parties hereby expressly agree shall be subordinated to this Agreement in respect of indemnity claims made by the Company against Pluristem as provided in the last sentence of this clause), in no event shall Pluristem be required to indemnify the Investor Indemnified Persons under this Section 7 and the Company under the indemnification provisions of the License Agreement (as the Licensee thereunder) for the same Losses which are based on the same cause of action, and, subject to the foregoing, the Investor Indemnified Persons shall be entitled to collect such Losses first and in priority to the Company.

8 Termination

- 8.1 Termination. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:
- 8.1.1 by mutual written agreement of the Investor and Pluristem; or
- 8.1.2 by the Investor or the Company or Pluristem if the Closing does not occur within 90 days from the date of this Agreement; provided, however, that the right to terminate this Agreement pursuant to this Section 8.1.2 shall not be available to a party if such party's failure (and for this purpose the Company and Pluristem shall be deemed one party) to take any action required to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur by such date. Notwithstanding the foregoing, it is agreed that insofar that the delay in Closing is due to a delay by a Governmental Agency to provide any of the approvals listed in Section 3, the Parties agree to extend the above- mentioned 90 day period for an additional 60-day period.
- 8.2 Consequences of Termination. In the event of termination of this Agreement as provided above, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party hereof; provided, however, that notwithstanding any termination of this Agreement, any party hereto shall remain liable thereafter for any breach of this Agreement that occurred prior to such termination.

9 Miscellaneous

- 9.1 Entire Agreement. This Agreement including the Schedules thereto constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof and thereof, and all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof is expressly canceled, including without limitation that certain Term Sheet dated [**]. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. It is clarified that in case of any in contradiction between the terms of the Ancillary Documents and the terms herein, the terms of this this Agreement shall prevail.

- 9.2 Amendments; No Waivers. Any provisions of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed by the all parties hereto. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.
- 9.3 Expenses. Each party shall bear its own respective costs and expenses related to this Agreement and the performance of its obligations hereunder, whether or not the transactions contemplated hereby shall be consummated.
- 9.4 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement or any part of it may not be assigned by any party without the prior written consent of the other parties, except that the Investor shall be allowed to freely assign this Agreement to any of its Affiliates, subject to a written notice to the Company and to Pluristem.
- 9.5 Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of Israel. The parties agree that the courts of the District of Tel Aviv shall have exclusive jurisdiction to hear and determine any suit action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement, and for such purposes they hereby irrevocably submit to the jurisdiction of such courts.
- 9.6 Notices. Any notice required or permitted hereunder shall be in writing and shall be delivered by same-day courier or by confirmed email to the applicable party hereto at the respective addresses set forth below (as may be changed by each of the parties from time to time). Any notice shall operate and be deemed to have been served on the second business day in Israel after the date of delivery to the courier, or the transmission by email (or, if such transmission is not on a business day in Israel, then on the next following business day).

(a) If to the Company:

Plurinuva Ltd.
Attn. Yaky Yanay
Email: [**]
Attn. Chen Franco-Yehuda
Email: [**]
Attn. Moran Zemel
Email: [*]

with a copy to (which shall not constitute legal notice):

Shibolet & Co.
4 Berkowitz St.,
Tel-Aviv 6423806, Israel
Attn.: Einat Weidberg, adv.
Email: [**]

(b) If to Pluristem:

Pluristem Ltd.
Attn. Yaky Yanay
Email: [**]
Attn. Chen Franco-Yehuda
Email: [**]
Attn. Moran Zemel
Email: [**]

with a copy to (which shall not constitute legal notice):

Shibolet & Co.
4 Berkowitz St.,
Tel-Aviv 6423806, Israel
Attn.: Einat Weidberg, adv.
Email: [**]

(c) If to the Investor:

Tnuva Food-Tech Incubator (2019), Limited Partnership
Attn.:
Eyal Malis – email: [**]
Jacob Heen – email: [**]
Shay Cohen – email: [**]
Tamar Melamed Baruchin – email: [**]

with a copy to (which shall not constitute legal notice):

Amit, Pollak, Matalon & Co.
APM House, 18 Raoul Wallenberg St.,
Ramat Hachayal, Tel-Aviv 6971915, Israel
Attn.: Ariel Frank, Adv.
Email: [**]

- 9.7 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.
- 9.8 Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have set their hands, and duly authorized this Agreement by their authorized officers as of the day and year first above written.

/s/ Eyal Malis

INVESTOR

Name: Jacob Heen
Title: CFO

Name: Eyal Malis
Title: CEO

/s/ Yaky Yanay

PLURISTEM

Name: Yaky Yanay
Title: CEO

Name: Chen Franco-Yehuda
Title: CFO

[Signature Page to Share Purchase Agreement]

/s/ Yaky Yanay

COMPANY

Name: Yaky Yanay
Title: CEO

Name: Chen Franco-Yehuda
Title: CFO

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO PLURISTEM THERAPEUTICS INC. IF PUBLICLY DISCLOSED. OMISSIONS ARE DENOTED IN BRACKETS WITH ASTERISKS THROUGHOUT THIS EXHIBIT.

TECHNOLOGY LICENSE AGREEMENT

THIS TECHNOLOGY LICENSE AGREEMENT is made and entered into this 5th day of January, 2022, between (i) Pluristem Ltd., a private limited company incorporated and registered under the laws of the State of Israel, Reg. No. 513371666, having its registered address at M.T.M – Scientific Industries Centre, building 5, Haifa 3508409, Israel (hereinafter referred to as the “**Licensor**”), and (ii) Plurinuva Ltd., a company incorporated in Israel, Reg. No. 516502556 with a registered address at M.T.M – Scientific Industries Centre, building 5, Haifa 3508409, Israel (hereinafter referred to as the “**Licensee**”). The Licensor and the Licensee shall hereinafter referred to as the “**Parties**” and each as a “**Party**”.

WITNESSETH

WHEREAS, Licensor owns and possesses, inter alia, certain Licensor Background Technology (as defined herein), which it wishes to make available to Licensee in accordance with and subject to the provisions hereof;

WHEREAS, the Parties intend that, effective as of the Effective Date of this Agreement, (i) Licensor shall grant the Licensee the License (as such term hereinafter defined), and (ii) the Licensee shall grant the Licensor the Pluristem License (as hereinafter defined), all pursuant to the terms of this Agreement; and

WHEREAS, this Agreement is made in connection with the SPA (as such term is defined below) and as a condition (which shall occur prior) to the Closing of the SPA (as such term is defined therein);

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein the Parties hereto agree as follows:

1. ADOPTION OF PREAMBLE AND DEFINITIONS

1.1. The preamble to this Agreement and all schedules attached hereto form an integral part of this Agreement.

1.2. For the purposes of this Agreement, each of the following terms shall have the meaning as defined next to it.

1.2.1. “**Accounting Firm**” shall mean Deloitte Israel or if not available, EY Israel or if not available, BDO Israel, or if not available, anyone of the other big 4 accounting firms active in Israel, subject in any event that such accounting firm is, at the relevant time, independent of each of the Parties.

1.2.2. “**Affiliate**” means with respect to any Person, any other Person Controlling, Controlled by, or under common Control with such Person, where “Control” means the holding, directly or indirectly, of more than 50% of the voting power in an entity, or of the right to appoint at least half of the directors or members of a similar body having a similar function in a corporation. For the purposes hereof, Licensee and Licensor (including Licensor’s other Affiliates, except for Licensee and its subsidiaries) shall not be deemed as Affiliates of each other.

1.2.3. “**Agreement**” shall mean this Technology License Agreement, the preamble and all exhibits and schedules hereto, as may be amended from time to time, in accordance with its terms.

1.2.4. “**Applicable Accounting Principles**” means US GAAP.

1.2.5. “**Business Day**” means any day that is not Friday, Saturday or other date on which banking institutions in Israel are authorized or required by applicable law to close.

1.2.6. “**Calendar Quarter**” will mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31.

1.2.7. “**Calendar Year**” will mean the respective periods of twelve (12) months beginning on the first day of the Company’s fiscal year for accounting purposes.

1.2.8. “**Commercialization Agreement**” shall have the meaning ascribed to it in the SPA.

1.2.9. “**Effective Date**” shall mean immediately prior to, and conditional upon the Closing (as defined in the SPA) of the SPA.

1.2.10. “**Field of License**” shall mean the field of cultured meat of all types and kinds (including without limitation beef, poultry and lamb but specifically excluding for the avoidance of doubt fish and seafood), including any and all components of such cultured meat (such as, without limitation, muscle, fat and blood cells), whether as ingredients or as whole products.

1.2.11. “**First Commercial Sale**” will mean the first sale by the Licensee or any of its Affiliates (or anyone on their behalf) which is recognized as “Net Sale” hereunder.

1.2.12. “**IIA**” shall mean the Israeli Innovation Authority.

1.2.13. “**Improvement Period**” shall mean a period commencing as of the Closing and ending (i) upon the lapse of [**] from the Closing, or, (ii) at Licensor’s discretion, earlier upon the [**].

1.2.14. “**Intellectual Property**” or “**IP**” shall mean all patents, copyrights, whether or not registered; trade names, registered and unregistered trademarks, service marks, trade dress, domain name registrations and other source indicators; computer software, including databases; trade secrets, commercial secrets, inventions (whether or not patentable and whether or not reduced to practice), Know-How, methodologies, and other proprietary rights.

1.2.15. “**Know-How**” shall mean technical, technological or scientific information, experience or knowledge, biological, chemical, drawings, reports, data, techniques, instructions, computational knowhow, algorithms, software codes, production and manufacturing use knowhow and all other similar information, experience or knowledge in whatever form, that may derive independent economic value, actual or potential, from not being generally known.

1.2.16. **“Late Interest Rate”** shall mean interest at a compounded annual rate of **[**]**% per annum calculated from the due date until the actual date of payment.

1.2.17. **“License”** shall mean the license granted by Licensor to Licensee under Section 3 hereof.

1.2.18. **“Licensed Technology”** shall mean the (i) Licensor Background Technology, and (ii) all Licensor Improvements which will be conceived, developed, reduced to practice, or made during the Improvement Period.

1.2.19. **“Licensee’s EBIT”** shall mean with respect to Licensee, for any Calendar Year, earnings before interest and tax, measured in accordance with Applicable Accounting Principles.

1.2.20. **“Licensee Improvements”** shall mean all derivative works, inventions, developments, improvements, enhancements, or modifications, whether or not patentable, that are conceived, developed, reduced to practice, or made by Licensee or anyone on its behalf, to the Licensor Background Technology and/or the Licensor Improvements within the Field of License or in the scope of the License; all during the Improvement Period.

1.2.21. **“Licensee Party”** and **“Licensor Party”**, respectively, shall mean as defined in Section 6.1 below.

1.2.22. **“Licensed Products”** shall mean any product, material, raw-material, device or service, that the development, manufacture, provision or sale of which, uses, comprises of, contains or incorporates the Licensor Background Technology and/or Licensor Improvements, in each case, exclusively in the Field of License.

1.2.23. **“Licensor Background Technology”** shall mean the Licensor’s Technology related or relevant to the Field of License, all of which as it is on the Effective Date, including without limitation all relevant patents, is as set forth in **Schedule 1.2.23**, and any Technology related thereto.

1.2.24. **“Licensor Field”** shall mean any field outside the Field of License.

1.2.25. **“Licensor Improvements”** shall mean all derivative works, inventions, developments, improvements, enhancements and modifications, whether or not patentable or registrable, that are conceived, developed, reduced to practice or made by Licensor or anyone on its behalf (including also any other licensees of Licensor (subject to the exclusivity of the License hereunder) to the extent this is allowed under the relevant license agreements between Licensor and such other licensees, and does not involve additional restraints or payment obligations on Licensor), to the Licensor Background Technology; all during the Improvement Period.

1.2.26. **“M&A Event”** of an entity shall mean the acquisition (excluding pursuant to raising of funds by such entity), directly or indirectly, in one or more related transactions, by any Person or group of such Persons acting in concert (who is or are not Affiliates of such entity), of (i) more than 50% of the then outstanding shares or voting rights of such entity, (ii) the power to cause the election or dismissal of a majority of the members of the Board of Directors of such entity, (iii) all or substantially all of the assets of such entity, (iv) an exclusive worldwide license to all or substantially all of the Intellectual Property of such entity, having a similar effect as a sale of such entity, or (v) with respect to Licensor, any transfer and assignment of the Licensor Background Technology as part of a merger or sale of all or substantially all of the assets of Licensor or of a specific unit or line of business of Licensor or any of its Affiliates which includes the Licensed Technology as in the relevant time (so long as such specific unit or line of business do not comprise only Licensor’s rights and obligations under this Agreement).

1.2.27. “**Net Sales**” shall mean the gross amount recognized as revenue by the Licensee or any of its Affiliates in Licensee’s consolidated financial statements in accordance with the Applicable Accounting Principles, through the sale, lease, license, provision of services (that include, utilize, are covered by or are based on such Licensed Technology) provided in connection with, or other commercial disposal or income (such as for example, grant of distribution rights) with respect to or in connection with the Licensed Products, and less the following: (a) trade, quantity or cash discounts, rebates or bonuses actually incurred or provisioned under the Licensee’s revenue recognition policies (with later adjustments if not actually incurred as provisioned and in any case there will not be duplicative deductions), (b) amounts repaid or credited by reason of rejection or return; (c) to the extent separately stated on purchase orders, invoices, or other documents of sale, any VAT, sales taxes, import/export customs duties and fees, handling and shipment charges, insurance and taxes directly related to the sale, [**].

When calculating the Net Sales, the following shall apply:

1.2.27.1. Net Sales shall be calculated in accordance with Applicable Accounting Principles. When calculating Net Sales for any period, the amount of such sales in foreign currencies shall be converted into U.S. dollars in a manner consistent with Applicable Accounting Principles.

1.2.27.2. For the avoidance of doubt, transfers of Licensed Products among the Licensee and any of its Affiliates shall not be considered Net Sales hereunder unless such Affiliate is the actual end-user consumer or B2B customer of such Licensed Products (e.g. Tnuva under the Commercialization Agreement); *provided, however*, that Net Sales will include the gross amount recognized as revenue by such Affiliate transferee (pursuant to the Licensee’s revenue recognition policies applicable to substantially all products sold by the Licensee and its Affiliates) upon any subsequent sale of such Licensed Product by such transferee.

1.2.27.3. For the avoidance of doubt, [**] shall not be counted as Net Sales for the purposes hereof.

1.2.28. “**New Patents**” shall mean as defined in Section 9.6 below.

1.2.29. “**Patent Rights**” means all the rights and interests in and to issued patents and pending patent applications and all patent applications, design patents, utility models, hereafter filed, throughout the world, including any provisional or substitute applications, substitutions, continuations, continuations-in-part, divisions and renewals relating thereto, any letters patent granted thereon, and any patents-of-addition, reissues, reexaminations and extensions or restorations thereof by existing or future extension or restoration mechanisms, and any foreign counterpart of any of the foregoing.

1.2.30. “**Person**” means any individual or natural person, any legal entity with separate legal personality, partnership, joint venture, (joint stock) corporation, association, limited liability company, trust, unincorporated organizations, or any governmental entity (or any department, agency or political subdivision thereof).

1.2.31. “**Pluristem License**” shall mean the license granted by Licensee to Licensor under Section 4 hereof.

1.2.32. “**SPA**” shall mean that certain Share Purchase Agreement by and among Tnuva Food-Tech Incubator (2019), Limited Partnership (which shall be referred to in this Agreement, together with its Affiliates (as such term is defined in the SPA notwithstanding Section 1.2.2 above), as “**Tnuva**”), the Licensor and the Licensee, dated January 5, 2022.

1.2.33. “**Sublicense Fee**” shall mean the gross amount actually received by the Licensee or any of its Affiliates from any payments or other consideration received by Licensee or such Affiliates for sub-licensing (which for the purposes hereof shall mean any right granted, sub-license given, or agreement entered into with respect to, and any option to obtain or enter into such right, license, agreement or permission, regardless of the title given to such grant of rights) the Licensors Background Technology and/or the Licensors Improvements (including if such sub-license is in conjunction with other Technology conceived, developed, reduced to practice or made by or for the Licensee which is based on or incorporates the Licensors Background Technology and/or the Licensors Improvements).

1.2.34. “**Technology**” shall mean proprietary Know-How and Intellectual Property, including without limitation, methods, techniques, production, algorithms, assembly and testing files, drawings, designs, prototypes, plans, diagrams, computer programs and their sources, source code, data, database, design assurance data and other tangible technical information, including any patents, Patent Rights or other intellectual property rights associated therewith, whether or not registered, registrable or patentable, copyrightable, or susceptible to any other form of legal protection.

2. EFFECTIVE DATE. This Agreement shall become effective on the Effective Date.

3. GRANT OF LICENSE

3.1. Subject to the terms and conditions set forth in this Agreement, commencing as of the Effective Date, Licensors hereby grants to Licensee, an exclusive (even as to Licensors, but except for development works), worldwide, non-transferable (except to Licensee’s subsidiaries or in connection with an M&A Event of Licensee to the extent applicable and in any event subject to the provisions of Section 13 below), sub-licensable (to the extent specifically permitted under Section 6 below) royalty-bearing, perpetual and irrevocable license to use, make, develop and commercially exploit the Licensed Technology, limited to the Field of License, for the purpose of all stages of developing and exclusively manufacturing, harvesting, distributing, marketing and selling and offering for sale on all verticals within the Field of License, as well as to import, export and distribute any Licensed Products and services that include, utilize, are covered by or are based on such Licensed Technology, or make any other commercial use of, the Licensed Products, whether on a stand-alone basis or in combination with other products, raw-materials, production means and devices or services - all of the foregoing as now exist or that will exist at any time in the future (the “**License**”).

3.2. The License granted hereunder shall not be construed to confer any rights upon Licensee by implication, estoppel or otherwise not specifically set forth herein. Licensee (for itself and its Affiliates) acknowledges and agrees that, as between Licensee and Licensors, Licensors is and shall remain the sole owner of the Licensed Technology and reserves full rights to exploit and make use of the Licensed Technology for any purpose outside the Field of License, and that neither Licensee nor any of its Affiliates have or shall have any rights in or to the Licensed Technology, other than the rights specifically granted herein to Licensee.

3.3. No rights or licenses are granted to the Licensee, express or implied, to use in relation to the Licensee's products or otherwise as part of the conduct of the Licensee's business, the name "Pluristem" or any trademark or trade name owned or used by the Licensor and/or any of its Affiliates (excluding the Licensee), unless agreed in advance by the Licensor (including as to the form and manner of use) which agreement shall not be unreasonably withheld or delayed.

3.4. Upon written demand from Licensee, Licensor shall forthwith execute any documents reasonably necessary for filing, registering, and recording of, and perfecting and defending the License at any appropriate governmental offices or other competent authorities. Licensee shall reimburse Licensor's reasonable out of pocket expenses in doing so.

3.5. Notwithstanding anything herein to the contrary, the Parties acknowledge that the license to the Licensor Improvements may be subject to the approval of the IIA as provided under Section 7.2 below.

4. PLURISTEM LICENSE

4.1. Subject to the terms and conditions set forth in this Agreement, commencing as of the Effective Date, Licensee hereby grants Licensor, an exclusive, perpetual and irrevocable, worldwide, sublicensable (to the extent specifically permitted under Section 6 below), royalty-free, license to use, make, exploit, develop and commercially exploit the Licensee Improvements, and to offer for sale, sell, import, export and distribute any Licensor's products and services that include, utilize, are covered by or are based on such Licensee Improvements, in each case, in any manner as determined by Licensor at its sole and absolute discretion, solely outside the Field of License (the "**Pluristem License**").

4.2. The Pluristem License granted hereunder shall not be construed to confer any rights upon Licensor by implication, estoppel or otherwise, not specifically set forth herein. Licensor (for itself and its Affiliates) acknowledges and agrees that, as between the Parties, Licensee is and shall remain the sole owner of the Licensee Improvements and reserves full rights to exploit and make use of the Licensee Improvements for any purpose within the Field of License, and that neither Licensor nor any of its Affiliates have or shall have any rights in or to the Licensee Improvements other than the rights specifically granted herein to Licensor.

4.3. No rights or licenses are granted to the Licensor, express or implied, to use in relation to the Licensor's products or otherwise as part of the conduct of the Licensor's business, the name of the Licensee or any trademark or trade name owned or used by the Licensee and/or any of its Affiliates (excluding the Licensor), unless agreed in advance by the Licensee (including as to the form and manner of use) which agreement shall not be unreasonably withheld or delayed.

4.4. Upon written demand from Licensor and at Licensor's own cost, Licensee shall forthwith execute any documents reasonably necessary for filing, registering, and recording of, and perfecting and defending the Pluristem License at any appropriate governmental offices or other competent authorities.

5. IMPROVEMENTS

5.1. As between the Parties, (i) Licensor shall own all of the Licensor Improvements, and any and all inventions, improvements, enhancements or modifications, conceived, reduced to practice, developed and/or made by it and/or for its own benefit after the Effective Date (including those based on the Licensee Improvements), and (ii) Licensee shall own all Licensee Improvements and any and all inventions, improvements, enhancements or modifications, conceived, reduced to practice, developed and/or made by it and/or for its own benefit after the Effective Date (including those based on the Licensed Technology), in or outside the Field of License, *provided*, for the avoidance of doubt, that the practice and/or exploitation by Licensee of any Licensee Improvements shall be limited to the Field of License or within the scope of the License and, *provided further*, for the avoidance of doubt, that the practice and/or exploitation by Licensor of any Licensee Improvements shall be solely outside the Field of License and outside the scope of the License.

5.2. Licensor undertakes to disclose and deliver to Licensee in a timely manner (as part of quarterly updates) any Licensor Improvements, and Licensee undertakes to disclose and deliver to Licensor in a timely manner any Licensee Improvements, with sufficient details and information (subject to and without derogating from the ownership provisions of Section 5.1 above and the confidentiality provisions of Section 15 below), so as to enable Licensee to utilize the Licensor Improvements under the License and the Licensor to utilize the Licensee Improvements under the Pluristem License, as applicable.

6. SUBLICENSING

6.1. Each of the Parties (subject to the provisions of, and at such circumstances as set forth under Section 6.2 below) (for the purpose of this Section, the “**Licensee Party**”), may enter into sublicensing agreements consistent with the provisions of Section 6.2 and in compliance with the provisions of this Agreement, for the right of such Licensee Party hereunder in the Technology licensed to it by the other Party, whether pursuant to the License or the Pluristem License, as applicable (the “**Licensor Party**”); provided that (i) such sublicense shall not in any manner increase the liability and/or obligations of the Licensor Party, and (ii) that the Licensee Party shall include provisions in any such sublicense agreement: (a) with regard to confidentiality consistent with the terms of Section 15 hereto; and (b) regarding the prohibition of any further sublicensing by the party receiving the sublicense, unless such sublicense is in accordance with the terms applicable to any sublicense granted by either Party hereunder.

6.2. Sublicensing Restrictive Covenants

6.2.1. Each of the Parties may enter into such sublicensing agreements as referred to in Section 6.1 and subject to such terms as contained therein with any third party; *provided however*, that each such sublicense agreement with respect to Technology licensed hereunder shall be in writing, consistent with the provisions of this Agreement, and shall include acknowledgement of the respective sub-licensee of the limited scope of the respective license hereunder to the Field of License or the Licensor Field, as applicable.

6.2.2. [**]

6.2.3. Any sublicense granted by Licensee in accordance with this Section 6 shall include Licensor as a third party beneficiary thereunder, and any sublicense granted by Licensor in accordance with this Section 6 shall include Licensee as a third party beneficiary thereunder.

7. CONSIDERATION FOR GRANT OF LICENSE; IIA ROYALTY PAYMENTS

7.1. In consideration for the rights and License granted by the Licensors to the Licensee pursuant to this Agreement, the Licensee shall pay to the Licensors the following consideration (“**Royalties**”):

7.1.1. Commencing from the Calendar Quarter during which the First Commercial Sale of Licensed Products occurs, the Licensee shall pay to the Licensors the “**Tiered Royalties**” at the rates set forth in **Schedule 7.1.1** hereto and subject to the limitations therein and provisions thereof.

7.1.2. Licensee will pay Licensors sublicense royalties at the fixed rate of [**%] from any Sublicensing Fee (the “**Sublicensing Royalties**”).

7.1.3. It is clarified that any transaction by Licensee or any of its Affiliates which involves both such sub-licensing to Licensors’ Background Technology and/or Licensors’ Improvements and any other transaction which is deemed as Net Sale hereunder shall entitle Licensors to royalties for each of the foregoing in accordance with the applicable rates (i.e., the Tiered Royalties or the Sublicensing Royalties, as applicable).

7.1.4. In the event of Early Termination of the Improvement Period, all future Royalties payable to Licensors as set forth in this Agreement, shall be reduced by [**%] commencing from Royalties calculated due to the periods commencing as of following the effective date of the Early Termination.

7.2. IIA Royalty Payments.

7.2.1. The Parties will obtain, prior and as a condition to the Closing, the IIA’s prior written approval in form acceptable to both Parties (and the Parties hereby agree and acknowledge that an approval of the request made in the form attached hereto as **Schedule 7.2.1** shall be deemed acceptable to the Parties) (the “**IIA Filing**”), reflecting the agreement of the Parties that (i) the IIA shall treat each Party as a separate entity for the purpose of compliance with the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984, as well as with the applicable rules and regulations of the IIA, including without limitation, payment of royalties to the IIA on sales and ramifications of any licensing and/or commercialization of the Licensed Technology owned by Licensors and licensed to Licensee hereunder (including without limitation, any Licensee Improvements based on such Licensed Technology), subject to such rules and regulations; and (ii) that the Licensee’s obligation to pay royalties to the IIA shall be limited to income derived from products only based on the Licensed Technology.

7.2.2. If Licensors will seek in the future additional grants from the IIA (specifically excluding consortium requests) in connection with the Licensors Improvements, Licensors shall reasonably consider whether to apply for such grants under the IIA-approved [program number 37245] (the “**Existing Program**”) and if so applicable shall make its reasonable commercial efforts to have such additional grants approved under the Existing Program. If Licensors reasonably consider it is not favorable to seek for such additional grants related to Licensors Improvements pursuant to the Existing Program, or if despite the foregoing the IIA agrees to approve such additional grants only under a new program, the Licensors shall make its reasonable commercial efforts to obtain the IIA’s approval to include the new Licensors Improvements under the License, including by filing with the IIA a substantially identical request as the IIA Filing, which will be made by Licensors in cooperation with and in full transparency to Licensee and *provided* that if the IIA shall deny such request due to the fact that the grants are not under the Existing Program, then the Licensors shall revoke the request for such grants, and may reapply under the Existing Program. The Licensors shall update the Licensee regarding all substantial matters relating to such IIA application and shall provide the Licensee with a copy of the IIA decision regarding such application promptly upon its receipt by the Licensors.

7.2.3. If Licensor will seek in the future additional grants from the IIA in connection with any new Technology that is not based on the Licensor Background Technology and/or Licensor Improvements, i.e. which will not be included in the License, Licensor shall apply for such grants under a new program (which is not the Existing Program)) and shall make its reasonable commercial efforts to have such additional grants approved by the IIA under such new program. If despite the foregoing the IIA agrees to approve such additional grants only under the Existing Program, Licensor and Licensee shall discuss and agree in writing on terms whereby none of them is jeopardized or incurs losses as a result of such decision by the IIA.

7.2.4. For the purpose hereof, any royalty payments actually made by Licensee to the IIA due to the sale of the Licensed Products (i) as a result of grants from the IIA obtained by Licensor or any of its Affiliates (including without limitation if the amounts of such grants will be actually paid to Licensor following the Effective Date) in connection with the Licensed Technology, and (ii) as a result of grants from the IIA provided in connection with any Licensor Improvements following the Effective Date, up to the amounts due to the IIA as a result of such grants (the “**Licensee IIA Royalties**”), shall be deducted and set off from the Royalties payable to Licensor hereunder and deemed Royalties paid by Licensee to Licensor hereunder. For the avoidance of doubt, such deduction of Licensee IIA Royalties from Royalties payable to Licensor may be carried forward to subsequent Calendar Quarters (to clarify, also to subsequent years as necessary) if, due to the Royalty Cap (as defined in **Schedule 7.1.1**) or otherwise (e.g., there are no Royalties to deduct from), Licensee cannot deduct the full amount(s) of Licensee IIA Royalties in a certain Calendar Quarter.

7.2.5. For the avoidance of doubt, in the event that Licensee is required to pay an increased IIA royalty rate to the IIA on account of the export of and/or grant of rights under the IIA funded Licensed Technology (including without limitation, manufacturing activities outside of Israel) as a result of the activities of the Licensee (or any of its Affiliates other than Licensor), the amounts reflecting such surplus between the royalties payable to the IIA in accordance with the increased IIA royalty rate and the royalties which would have been payable to the IIA otherwise shall not be deducted from the Royalties due to Licensor.

8. REPORTS; PAYMENTS; RECORDS.

8.1. Reports on Net Sales.

8.1.1. For each Calendar Quarter commencing from the expiration of the first Calendar Quarter following the Effective Date, and for a period of at least [**] following expiration of such Calendar Quarter, Licensee agrees to maintain records of the Net Sales, Sublicensing Fees [**], if any, together with other documents reasonably necessary to calculate such amounts, in sufficient detail to enable the Tiered Royalties and Sublicense Royalties due hereunder (if any) to be determined. Licensee agrees to permit any one of the “big-4” accounting firms to be appointed by Licensor at its discretion for this purpose to examine the books, ledgers, and records of the Licensee and its Affiliates, upon reasonable notice during regular business hours and not more than [**] each Calendar Year, subject to customary confidentiality undertakings, for the purpose of and to the extent necessary to verify any report required under this Section 8.1. Such accounting firm will be instructed to report to the Licensor only the results of its review and will not share with the Licensor any information or documents reviewed by it or that otherwise came to its knowledge in connection with such review.

8.1.2. Within [**] days after the end of each Calendar Quarter following the Effective Date, Licensee will prepare and deliver to Licensor its calculation, in reasonable detail, of the Net Sales and Sublicensing Fees for such Calendar Quarter, and applicable Tiered Royalties (subject at all times to the Royalty Cap under Schedule 7.1.1) and Sublicensing Royalties payable to Licensor for such Calendar Quarter, as well as [**] paid during such Calendar Quarter (including, without limitation, to the extent no Royalties are due by Licensee, in which event such report shall indicate that no such payments are due) (the “**Periodic Reports**”); *provided however*, that with respect to the period commencing on the Effective Date and ending on the last Calendar Quarter of the applicable Calendar Year during which the Effective Date occurred (the “**Initial Reporting Period**”), the first Periodic Report hereunder shall be made within [**] days from expiration of the Initial Reporting Period with respect to such entire period. The Periodic Reports will be certified by a financial officer of Licensee, and the amounts of the Net Sales and the amounts payable to Licensor as shown in the Periodic Reports will be certified by the auditor accounting firm of Licensee on an annual basis.

8.1.3. If Licensor disputes such calculation, Licensor shall deliver written notice of such dispute to Licensee at any time, provided that such notice of dispute may only refer to any or all of the four (4) Periodic Reports preceding the notice. Licensee shall provide Licensor with access to any information reasonably necessary to calculate the Royalties and which is otherwise included in the applicable Periodic Reports, not more than [**] times each Calendar Year. If any such dispute is not resolved within [**] days after Licensor’s delivery of such dispute notice to Licensee, Licensee and Licensor shall jointly engage the Accounting Firm, subject to customary confidentiality undertakings, to review the disputed item(s) with respect to such calculation. The Accounting Firm shall be instructed to use reasonable efforts to perform its services within [**] days of submission of the calculation(s) and objection(s) to it and, in any case, as soon as practicable after such submission. The Accounting Firm will be instructed to report to the Parties only the results of its review and will not share with the Licensor any information or documents reviewed by it or that otherwise came to its knowledge in connection with such review. The final determination of such disputed item(s) by the Accounting Firm shall be binding on the Parties notwithstanding anything herein to the contrary, absent manifest error.

8.1.4. Royalty payments will be payable by Licensor as follows: (A) with respect to amounts calculated as provided in Licensee’s applicable Periodic Reports, concurrently with the provision of such Periodic Reports, and (B) with respect to additional amounts disputed by the Licensor, within [**] Business Days after resolution and determination of the additional Royalty payments (if any) in accordance with the resolution of the Accounting Firm as set forth above.

8.1.5. The fees and expenses of the Accounting Firm shall be borne by Licensee on the one hand and the Licensor on the other hand, in proportion to a ratio based on a fraction in which the numerator is (i) the difference between (A) the amount of Royalties which the Accounting Firm determines to be payable during the applicable Calendar Quarter in question and (B) the amount of such Royalties as determined by Licensee under the applicable Periodic Report(s) under dispute, and (ii) the denominator is the difference between the amount of such Royalties as claimed by the Licensor under the applicable dispute notice and the amount described in Section 8.1.5(B) above. In connection with the resolution of any dispute, except as set forth specifically herein, each Party shall pay its own fees and expenses, including without limitation, legal, accounting and consultant fees and expenses.

8.1.6. At any time after Licensor (together with its Affiliates) ceases to hold Control of Licensee, then in the event that (i) the resolution of any dispute between the Parties regarding the amount of any Royalties results in payments by Licensee (such payment, the “**Disputed Payment**”) of an additional amount per any Calendar Quarter which exceeds [**], and (ii) in connection with any other late payment of Royalties which are due and payable on a due date as provided herein and after a grace period of [**] days for payment after the due date (which if imposed will apply from the first day after the due date for payment), then Licensee shall also pay to the Licensor interest on such Disputed Payment or late payment at an interest rate equal to the Later Interest Rate and shall also pay the entire fees and expenses of the Accounting Firm in connection with its resolution regarding such Disputed Payment, if applicable.

8.2. Payment Method. Each payment due to Licensor under this Agreement shall be paid against a duly issued invoice, by wire transfer of funds to Licensor's account in accordance with the account details appearing in Schedule 8.2 (as may be updated from time to time by Licensor to Licensee in writing).

8.3. VAT; Withholding and Similar Taxes. Each Party shall bear and be responsible for any and all taxes which by their nature should be borne by such Party in connection with the payment of the Royalties (as such income taxes etc.). All amounts to be paid to Licensor pursuant to this Agreement are exclusive of Value Added Tax. The Licensee shall add value added tax, as required by law, to all such amounts. If applicable laws require that taxes be withheld from any amounts due to Licensor under this Agreement, unless the Licensor has provided the Licensee with an authorization issued by the relevant tax authority to act otherwise, the Licensee shall (a) deduct these taxes from the remittable amount, (b) pay the taxes to the proper taxing authority, and (c) promptly deliver to Licensor a statement including the amount of tax withheld and justification therefore, and such other information as may be necessary for tax credit purposes.

9. PATENT PROTECTION AND NEW PATENT

9.1. As between the Parties, Licensor shall have the first right and option, at its expense, to prepare, file and maintain in its name patent applications for the Licensed Technology. Licensor shall consult with Licensee prior to abandoning any of the patents or patent applications made by Licensor on the Licensed Technology. If Licensor decides not to prepare, file, prosecute and/or maintain any of the patents and/or patent applications regarding the Licensed Technology, then, Licensor shall give Licensee reasonable prior notice (to clarify, also in the pre-publication period) to this effect (detailing the applicable dead-line and relevant jurisdiction) and thereafter Licensee may (but shall not have the obligation to), unless Licensor reasonably objects (and for the purposes hereof, reasonably objects shall include an objection made because of Licensor's decision to keep the applicable invention as a trade secret on the basis of reasonable grounds as shown to Licensee), upon written notice to Licensor and at Licensee's expense, prepare, file and maintain such Patent Rights in Licensor's name, whereupon any such Patent Rights shall be deemed licensed to Licensee pursuant to Section 3 hereto; provided that in such event Licensee shall be entitled to take all actions it deems necessary to enforce such Patent Rights (including by way of filing any suit in respect thereof, subject to the provisions of Section 10 below).

9.2. As between the Parties, Licensee shall have the first right and option, at its expense, to prepare, file and maintain in its name patent applications for the Licensee Improvements. Licensee shall consult with Licensor prior to abandoning any of the patents or patent applications on the Licensee Improvements. If Licensee decides not to prepare, file, prosecute and/or maintain any of the patents and/or patent applications regarding the Licensee Improvements, then Licensee shall give Licensor reasonable prior notice (to clarify, also in the pre-publication period) to this effect (detailing the applicable dead-line and relevant jurisdiction) and thereafter Licensor may (but shall not have the obligation to), unless Licensee reasonably objects (and for the purposes hereof, reasonably objects shall include an objection made because of Licensee's decision to keep the applicable invention as a trade secret on the basis of reasonable grounds as shown to Licensor), upon written notice to Licensee and at Licensor's expense, prepare, file and maintain such Patent Rights in Licensee's name, whereupon any such Patent Rights shall be deemed licensed to Licensor pursuant to Section 4 hereto; provided that in such event (i) Licensor shall be entitled to take all actions it deems necessary to enforce such Patent Rights (including by way of filing any suit in respect thereof, subject to the provisions of Section 10 below).

9.3. Once each Calendar Year during the Improvement Period, a Party may request a written summary from the other Party in regards to any filings of a New Patent(s) (as defined below), and the other Party shall provide the other with reasonable details of such filing(s) within 14 Business Days of it receiving such request.

9.4. Notwithstanding the foregoing, in no event will either Party be permitted to seek patent protection with respect to and/or which may require the disclosure of the other Party's Confidential Information absent such owner Party's prior written consent.

9.5. Each of the Parties agrees to cooperate with the other with respect to the preparation, filing, prosecution, maintenance and extension of the Patent Rights described in this Section 9, including the execution of all such documents and instruments (including a power of attorney), the provision of such information and the performance of such acts as may be reasonably necessary in order to permit the other Party to continue any preparation, filing, prosecution, maintenance or extension of any Patent Right described in this Section 9 that such Party has elected to pursue.

9.6. Any new patents or patent applications filed by either Party pursuant to the provisions of this Section 9, which is deemed as Licensor Improvement or Licensee Improvement, shall be referred to as “**New Patents**”.

10. INFRINGEMENTS

10.1. Each of the Parties shall take commercially reasonable efforts to protect the licenses granted to the other Party hereunder from misappropriation, infringement and unauthorized use when, from its own knowledge or upon notice from the other Party, such Party becomes aware of the reasonable probability that such misappropriation, infringement or unauthorized use exists. Each of the Parties shall promptly notify the other Party if it becomes aware of infringement, misappropriation or unauthorized use of the licensed Intellectual Property hereunder or any part thereof. Nothing contained herein shall derogate from the rights of any Party to defend and protect such intellectual property rights and Technology owned by such Party.

10.2. In the event of any infringement, misappropriation or unauthorized use by a third party of any intellectual property rights in the Licensee Improvement (with respect to Licensee) or the Licensed Technology (with respect to Licensor) which was licensed to the other Party, then:

10.2.1. Where such infringement, misappropriation or unauthorized use is of the Licensed Technology, within the Field of License: (A) Licensor shall notify Licensee in writing as soon as reasonably practicable and in any case within ten (10) Business Days of learning of such matter; and (B) Licensee shall have the first right, but not the obligation, to file a claim against such misappropriation or infringement in the Field of License, provided that it has informed Licensor in writing within 30 days of Licensor's above notice, of its decision to enforce the applicable intellectual property rights. In case the infringement, misappropriation or unauthorized use is both within the Field of License and outside the Field of License and the Licensor wishes to file legal action for the enforcement of the Licensed Technology, Licensee shall have the right to join such proceeding as an additional plaintiff and file a statement of claim on its behalf, with respect to such part of the infringement, misappropriation or unauthorized use which is within the Field of License, at Licensee's cost and expense and otherwise in accordance with the provisions below applicable to filing of legal claims by Licensee below, which shall apply, *mutatis mutandis*. In case such authority to file an enforcement claim against an infringer is not granted to the Licensee under applicable laws or regulations, Licensor shall grant Licensee such authorizations required to conduct such proceedings, in every relevant jurisdiction in which the infringement in the Field of the License occurred. The expenses of such suit or suits that Licensee elects to bring, including any expenses incurred in conjunction with the prosecution of such suits or the settlement thereof, shall be paid for entirely by Licensee and Licensee shall hold Licensor free, clear and harmless from and against any and all costs of such litigation and any liabilities or losses arising therefrom, including reasonable attorneys' fees; and any and all proceeds derived from any such proceeding managed by Licensee shall be for the account of Licensee. Licensee shall not compromise or settle such litigation without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed, provided however, that Licensee shall be entitled to compromise or settle such litigation, without the prior written consent of the Licensor, if such compromise or settlement is monetary only, borne entirely by Licensee and does not in any way affect the Licensor's rights in the Licensed Technology (as Licensee shall notify Licensor in writing (providing sufficient detail of the proposed compromise or settlement) prior to such compromise or settlement). Notwithstanding any of the foregoing, if Licensee does not take action in the prosecution, prevention, or termination of any such misappropriation, and has not commenced negotiations with the Person performing the misappropriation for the discontinuance of the said misappropriation (subject to the right of Licensor to participate in such prosecution or negotiation with counsel at its own expense, provided that the control of such prosecution or negotiation is left with Licensee), within 30 (thirty) days after such time when Licensee became aware of the existence of such misappropriation, then Licensor shall have the right but not the obligation to file a claim against such misappropriation, and in that case this Section shall apply but any reference to Licensee shall be deemed to be a reference to Licensor and vice versa. In the event that Licensee shall notify Licensor that it wishes to sue for such infringement or misappropriation within the Field of License, Licensee shall, as part of such notification, advise Licensor of its choice of legal counsel to represent Licensee in such suit, who must be a reputable lawyer with experience in intellectual property litigation. Licensor may elect, at its own initiative, to join as a party to such suit and be named as a party to such suit (and Licensee will consent with regard to any jurisdiction where this is required in order for suit to be brought). Licensor may elect to be represented in such suit by Licensee's choice of legal counsel (subject to any limitations arising from a potential conflict of interests at the discretion of such counsel), or at any time during such suit, engage its own legal counsel therein.

10.2.2. where such infringement, misappropriation or unauthorized use is of the Licensee Improvements, outside the Field of License: (A) Licensee shall notify Licenser in writing as soon as reasonably practicable and in any case within ten (10) Business Days of learning of such matter: and (B) Licenser shall have the first right, but not the obligation, to file a claim against such misappropriation or infringement outside the Field of License, provided that it has informed Licensee in writing within 30 days of Licensee's above notice, of its decision to enforce the applicable intellectual property rights. In case the infringement, misappropriation or unauthorized use is both outside the Field of License and within the Field of License and the Licensee wishes to file legal action for the enforcement of the Licensee Improvements, Licenser shall have the right to join such proceeding as an additional plaintiff and file a statement of claim on its behalf, with respect to such part of the infringement, misappropriation or unauthorized use which is outside the Field of License at Licenser's cost and expense and otherwise in accordance with the provisions below applicable to filing of legal claims by Licenser below, which shall apply, *mutatis mutandis*. In case such authority to file an enforcement claim against an infringer is not granted to the Licenser under applicable laws or regulations, Licensee shall grant Licenser such authorizations required to conduct such proceedings, in every relevant jurisdiction in which the infringement outside the Field of the License occurred. The expenses of such suit or suits that Licenser elects to bring, including any expenses incurred in conjunction with the prosecution of such suits or the settlement thereof, shall be paid for entirely by Licenser and Licenser shall hold Licensee free, clear and harmless from and against any and all costs of such litigation and any liabilities or losses arising therefrom, including reasonable attorneys' fees; and any and all proceeds derived from any such proceeding managed by Licenser shall be for the account of Licenser. Licenser shall not compromise or settle such litigation without the prior written consent of Licensee, which consent shall not be unreasonably withheld or delayed, provided however, that Licenser shall be entitled to compromise or settle such litigation, without the prior written consent of the Licensee, if such compromise or settlement is monetary only, borne entirely by Licenser and does not in any way affect the Licensee's rights in the Licensee Improvements (as Licenser shall notify Licensee in writing (providing sufficient detail of the proposed compromise or settlement) prior to such compromise or settlement). Notwithstanding any of the foregoing, if Licenser does not take action in the prosecution, prevention, or termination of any such misappropriation, and has not commenced negotiations with the Person performing the misappropriation for the discontinuance of the said misappropriation (subject to the right of Licensee to participate in such prosecution or negotiation with counsel at its own expense, provided that the control of such prosecution or negotiation is left with Licenser), within 30 (thirty) days after such time when Licenser became aware of the existence of such misappropriation, then Licensee shall have the right but not the obligation to file a claim against such misappropriation, and in that case this Section shall apply but any reference to Licenser shall be deemed to be a reference to Licensee and vice versa. In the event that Licenser shall notify Licensee that it wishes to sue for such infringement or misappropriation outside the Field of License, Licenser shall, as part of such notification, advise Licensee of its choice of legal counsel to represent Licenser in such suit, who must be a reputable lawyer with experience in intellectual property litigation. Licensee may elect, at its own initiative, to join as a party to such suit and be named as a party to such suit (and Licenser will consent with regard to any jurisdiction where this is required in order for suit to be brought). Licensee may elect to be represented in such suit by Licenser's choice of legal counsel (subject to any limitations arising from a potential conflict of interests at the discretion of such counsel), or at any time during such suit, engage its own legal counsel therein.

10.3. Except as set forth under Section 10.2 above, and subject to the provisions thereof, each Party shall assume and pay all of its own out-of-pocket costs incurred in connection with any litigation or proceedings described in this Section 10, including the costs and expenses of that Party's counsel, and shall be entitled to any monetary payment ruled in its favor in such litigation or proceeding, unless otherwise expressly agreed upon between the relevant Parties.

10.4. In the event that either Licenser or Licensee takes action pursuant to this Section 10, the other Party shall cooperate with the Party so acting to the extent reasonably possible.

10A. NEW TECHNOLOGY

During a period of [**] year from the Effective Date, and in any event, prior to M&A Event consummated by either Licensor or Licensee, Licensor hereby grants to Licensee a right of first negotiation with regard to any new Technology which is conceived, developed, reduced to practice or made by Licensor or anyone on its behalf which is not included in the License, and which Licensor, at Licensor's discretion, wishes to commercialize within the Field of License. Pursuant to such right, Licensor shall notify Licensee before entering into any discussions or negotiation with any third party in respect of the utilization, licensing or any other cooperation relating to such new Technology within the Field of License, and shall, to the extent that Licensee notified Licensor that it is interested to exploit such opportunity within [**] days, enter with Licensee into good-faith discussions and negotiation for the same for a period of not less than [**] days from the day of such notice by Licensor, unless Licensee shall notify Licensor at any time that it is not interested in such new Technology (the "**First Notice Right**"). For the avoidance of any doubt, the First Notice Right shall apply only once with respect to each such new Technology, so that if Licensee is not interested in entering discussions with Licensor, or in the event that the parties shall fail to enter an agreement during the foregoing [**]-day period, Licensor shall be free to enter into any transaction with any third party in connection with such Technology from this point onwards.

11. PARTIES' REPRESENTATIONS AND UNDERTAKINGS

11.1. Licensor's Representations. Licensor hereby represents and warrants to Licensee, effective as of the Effective Date (unless specifically stated otherwise herein), as follows:

11.1.1. Licensor has all requisite corporate power and authority to execute and deliver this Agreement and each other instrument and agreement to be executed and delivered by it hereunder, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Such execution and delivery by Licensor has been duly and validly authorized and approved by all required action of Licensor. This Agreement and each such other instrument and agreement has been duly and validly executed and delivered by Licensor and constitutes the legal, valid and binding obligation of Licensor, enforceable against Licensor in accordance with its terms.

11.1.2. The execution and delivery by Licensor of this Agreement and performance by Licensor of its obligations hereunder, do not and will not, with or without the giving of notice or the lapse of time or both (i) violate, conflict with or result in a breach of or default by Licensor under any provision of its organizational documents or of any agreement or undertaking to which Licensor is a party or by which it or any of the Licensed Technology is bound, (ii) contravene with any law or judgment applicable to Licensor or any Licensed Technology.

11.1.3. Licensor has, and will have during the term of this Agreement, the right to license the Licensed Technology hereunder, in accordance with and subject to the terms hereof, subject only to additional approvals from the IIA to the extent required in connection with Licensor Improvements, as specified under Section 7.2 above.

11.1.4. No Person has to the knowledge of Licensor, raised any claims referred to Licensor alleging that the Licensed Technology has infringed upon any intellectual property rights of any other Person. At no time in the course of the conception of or reduction to practice of any of the Licensed Technology, was Licensor operating under any grants from any governmental entity or agency or private source, or subject to restrictions under the rules or regulations of any governmental institution, hospital or university or similar government-funded institution, or subject to any agreement, that could adversely affect or limit Licensor's right to license such intellectual property to Licensee hereunder, except for the grants provided by the IIA.

11.1.5. There are no patent infringement suits or asserted patent infringement claims against Licensor pertaining to the Licensed Technology pending, or to Licensor's knowledge threatened in writing, against Licensor on the date of this Agreement.

11.2. Licensee's Representations. Licensee hereby represents and warrants to Licensor, effective as of the Effective Date, as follows:

11.2.1. Licensee has all requisite corporate power and authority to execute and deliver this Agreement and each other instrument and agreement to be executed and delivered by it hereunder, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Such execution and delivery by Licensee has been duly and validly authorized and approved by all required action of Licensee. This Agreement and each such other instrument and agreement has been duly and validly executed and delivered by Licensee and constitutes the legal, valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms.

11.2.2. The execution and delivery by Licensee of this Agreement and each of the other instrument and agreement to be executed and delivered by it hereunder, and performance by Licensee of its obligations hereunder and thereunder, do not and will not, with or without the giving of notice or the lapse of time or both (i) violate, conflict with or result in a breach of or default by Licensee under any provision of its organizational documents or of any agreement of undertaking to which Licensee is a party, (ii) to the knowledge of Licensee, contravene any law or judgment applicable to Licensee.

11.2.3. The Licensee has and will have during the term of this Agreement, the right to license the Licensee Improvements in accordance with and subject to the terms hereof, subject only to approvals from the IIA in connection with Licensee Improvements, to the extent Licensee shall seek in the future grants from the IIA in connection therewith (in which event the provisions of Section 7.2.2 shall apply, *mutatis mutandis*).

12. DISCLAIMERS

12.1. Warranty Disclaimer. Nothing in this Agreement is or shall be construed as:

12.1.1. An obligation to bring or prosecute actions or suits against third parties for infringement; or

12.1.2. A grant by implication, estoppel, or otherwise of any licenses under patent applications or patents other than as specifically provided herein.

12.2. No Warranty.

12.2.1. NEITHER LICENSEE NOR LICENSOR MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EXCEPT AS EXPLICITLY SET FORTH UNDER THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND VALIDITY OF PATENTS, ISSUED OR PENDING.

12.2.2. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE LICENSED TECHNOLOGY OR LICENSEE IMPROVEMENTS (AS APPLICABLE) ARE PROVIDED "AS-IS".

12.3. Disclaimer of Liability. In no event, except as specifically set forth hereunder, will any of the Parties be liable hereunder for incidental, special or consequential damages.

13. NO ASSIGNMENT

Neither Party may assign this Agreement or any of its rights or obligations hereunder, except with the prior written consent of the other Party; *provided*, that either Party may assign the Agreement in the framework of a M&A Event of such Party, or to any of its Affiliates, without consent, after providing a written notice to the other Party; *provided* that the assignee undertakes in writing to abide by the provisions hereof and to assume the obligations and liability of the assigning Party hereunder, and *provided*, further, that in the event of such assignment to Affiliates, the assigning Party shall remain liable to the other Party for the compliance by such Affiliates with their liabilities and obligations under such assignment.

14. INDEMNIFICATION

14.1. Each Party shall promptly indemnify the other Party against any direct (specifically excluding punitive, consequential or speculative) losses, damages, costs and expenses incurred by such other Party ("**Losses**") as a result of (i) any representation of such Party proven as untrue or incorrect, (ii) the breach of any of such Party's undertakings hereunder, provided that:

14.1.1. except in the case of fraud or willful misrepresentation, Licensor's monetary liability to Licensee in connection with the breach of any of the representations and warranties set forth under Section 11.1 hereof shall not exceed in the aggregate the [**]. In addition, in no event shall Licensor be required to indemnify for the same Losses more than once (including without limitation, hereunder and pursuant to the provisions of the SPA if indemnity claims under both agreements are based on the same cause of action);

14.1.2. with respect to Losses resulting from a breach of Licensor's representations and warranties under Section 11.1, and except in the case of (i) a breach of Licensor's representations and warranties under Section 11.1.3 but only with regard to Licensor Improvements (for which the time limitation under this Section 14.1.2 for each Licensor Improvement shall be 5 years from the time such Licensor Improvement is made known to Licensee hereunder), or (ii) fraud or willful misrepresentation (which, to clarify, shall not be time-limited hereunder), Licensor shall be required to indemnify the Licensee only for claims made and notified by the Licensee to Licensor in writing during the period commencing on the Effective Date and ending on the [**] anniversary of the Effective Date; and

14.1.3. except in the case of fraud or willful misrepresentation, Licensee's monetary liability to Licensor in connection with the breach of any of the representations and warranties set forth under Section 11.2 hereof shall not exceed in the aggregate the amount of [***].

14.2. If any third party claim, suit, action or other proceeding to which the indemnity set forth above may be applied, is brought against a Party, it shall give the indemnifying Party prompt notice of the same, and the Parties shall coordinate and cooperate in the defense of such claim, suit, action or other proceeding; provided that the indemnifying Party shall bear all costs and expenses of the defense of such claim. If either Party seeks such indemnity from the other Party, then neither Party shall adjust, settle or compromise any claim, suit, action or other proceeding brought against it to which the indemnity set forth herein applies without the prior written consent of the indemnifying Party which consent shall not be unreasonably withheld; provided, however, that the indemnifying Party shall be entitled to adjust, settle or compromise any such claim, suit, action or other proceeding, or admit to any fact, without the prior written consent of the indemnified Party, if such adjustment, settlement or compromise is monetary only and in an amount which is fully covered by the indemnifying Party under Section 14.1 above, as the case may be. In no event shall any Party settle any claim against the other Party without such Party's prior written consent (which consent shall not be unreasonably withheld), if such settlement would adversely alter, impair or reduce the scope of such Party's rights in respect of the Technologies licensed to it or by it hereunder, would otherwise affect such Party's exercise of its rights under this Agreement, would require such Party to pay any compensation, impose any liability on such Party or assume any obligations, or would otherwise adversely affect (including the scope of) its intellectual property rights.

15. CONFIDENTIAL INFORMATION

15.1. Subject to the exclusions set forth in Section 15.2 below, all information, including scientific, commercial and technical information, communicated by either Party (for the purposes this Section the "**Disclosing Party**") to the other Party (for the purposes this Section the "**Receiving Party**"), including, without limitation, as applicable, information contained in patent applications or relating to any Licensed Technology, Licensee Improvements or any New Patents, whether such information is delivered in written form or orally conveyed, whether marked as confidential or not so marked (the "**Confidential Information**"), shall be received in strict confidence by the Receiving Party, handled at such standard of protection which is not lesser than the standard used by the Receiving Party with respect to its own confidential information (but in any event no less than reasonable degree of care), used only for the purposes of, or as permitted under, this Agreement, and not disclosed by the Receiving Party or its sublicensees or their respective agents or employees without the prior written consent of the Disclosing Party. For the foregoing purpose, each Party hereby agrees, as applicable, to keep the Licensed Technology, Licensee Improvements or any New Patents, which are the Confidential Information of the other Party, confidential, and to take all reasonably necessary steps to ensure that their Affiliates, officers and employees keep such information confidential.

15.2. The provisions of Section 15.1 shall not apply to any information which: (i) is public knowledge at the date of the Agreement or thereafter becomes public knowledge through no fault of the Receiving Party, (ii) is lawfully received by the Receiving Party from a third party who either has the right to disclose it, or is under no obligation of confidentiality to the Disclosing Party, (iii) is disclosed as required under any applicable law or pursuant to the requirements of any governmental authority or stock market regulations applicable to such Party or any of its Affiliates; *provided, however*, that, if possible, the Receiving Party shall provide prompt prior written notice thereof to Disclosing Party to enable it to seek a protective order or otherwise prevent or contest such disclosure and reasonably cooperate with the Disclosing Party in attempting to limit or prevent such required disclosure, or (iv) is independently developed by the Receiving Party without breach of this Agreement and without use of the other Party's Confidential Information (unless such use is made in accordance and in compliance with the licenses granted hereunder). The Confidential Information may be disclosed by the Receiving Party in connection with a potential financing, acquisition or joint venture or collaboration of such Receiving Party or any of its Affiliates (regardless of the structure of such transaction) or the sale of such Receiving Party's equity securities or assets, or a sublicense agreement entered into in compliance with the provisions hereof, in each case on a need-to-know-basis and provided such persons being disclosed of such information execute written non-disclosure undertakings in customary form.

15.3. The burden of proof that any disclosure falls within any of the aforesaid exclusions shall be on the Receiving Party. Where a doubt exists, as to whether any of the aforesaid exclusions apply, the Receiving Party shall give the Disclosing Party a written notice, and, if a dispute arises, then the Receiving Party shall keep such information confidential until the dispute is settled or resolved in an appropriate court of law, subject to any temporary relief which the Receiving Party shall be entitled to apply for to such court.

16. PERPETUAL LICENSE

Notwithstanding any breach of this Agreement by Licensee and without limiting either Party's right to any other remedy (including action for enforcement, damages subject to the limitations set forth hereunder, or other), the License will not be terminable by Licensor for any reason, and the Pluristem License will not be terminable by Licensee for any reason.

17. MISCELLANEOUS

17.1. This Agreement is made in accordance with and shall be governed and construed in accordance with the laws of the State of Israel, without regard to conflicts of laws rules. The Parties hereby irrevocably submit to the exclusive jurisdiction of any competent court within the district of Tel Aviv in respect of any dispute arising out of or in connection with this Agreement.

17.2. Any notice required or permitted hereunder shall be in writing and shall be sent by registered mail, courier or confirmed email, to the addresses set forth below, or to such address as may be given by any Party from time to time by written notice to the other Parties. Any notice sent in accordance herewith shall be effective (i) if mailed, three (3) Business Days after mailing in Israel, or five (5) Business Days if mailed outside Israel, (ii) if sent by courier, on the first Business Day following delivery, and (iii) if sent via email, on the first Business Day following transmission.

To Licensor: Pluristem Ltd.
Attn. Yaky Yanay
Email: [**]
Attn. Chen Franco-Yehuda
Email: [**]
Attn. Moran Zemel
Email: [**]

To Licensee: Plurinuva Ltd.
Attn. Yaky Yanay
Email: [**]
Attn. Chen Franco-Yehuda
Email: [**]
Attn. Moran Zemel
Email: [**]

17.3. The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or unenforceable under any controlling body of the law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

17.4. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right to excuse a similar subsequent failure to perform any such term or condition by the other Party.

17.5. The headings used in this Agreement are for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

17.6. No amendment or modification hereof shall be valid or binding upon the Parties unless made in writing and signed by the Parties.

17.7. In making and performing this Agreement, the Parties shall act at all times as independent contractors and nothing contained in this Agreement shall be construed or implied to create an agency, partnership or employer and employee relationship between the Parties. At no time shall one Party make commitments or incur any charges or expenses for or in the name of the other Party except as specifically provided herein.

17.8. The Parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the Parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the Parties hereto.

17.9. This Agreement shall inure solely for the benefit of the Parties and their respective successors and assigns, and no other party shall have any rights under or pursuant to this Agreement.

17.10. Each of Licensee (with respect to the License) and Licensor (with respect to the Pluristem License) shall have the right, at its own cost, to record the License or Pluristem License granted to it hereunder, as applicable, in the relevant registries (including without limitation, patent registries) anywhere in the world. The Licensor (with respect to the License) and Licensee (with respect to the Pluristem License) shall promptly provide reasonable assistance, at the Licensee's cost (with respect to the License) or Licensor's cost (with respect to the Pluristem License), to enable the Licensee or Licensor, as applicable, to record the License in accordance with this Section 17.10.

17.11. Tnuva shall be a third party beneficiary of the last item in Schedule 7.1.1 with respect to the Licensee's obligation to pay Tnuva royalties under the circumstances set forth therein.

17.12. At its own expense, each Party shall, and shall use all reasonable endeavours to procure that such Party shall promptly execute and deliver such documents and perform such acts as may reasonably be required for the purpose of giving full effect to this Agreement.

[Signature Page Next]

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals and duly executed this Agreement the day and year set forth below.

PLURISTEM LTD.

By: /s/ Yaky Yanay
Name: Yaky Yanay
Title: CEO

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: CFO

PLURINUVA LTD.

By: /s/ Yaky Yanay
Name: Yaky Yanay
Title: Chairman

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: Director

CERTIFICATION

I, Yaky Yanay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of 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)) for the registrant 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.

Date: May 9, 2022

/s/ Yaky Yanay

Yaky Yanay
Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION

I, Chen Franco-Yehuda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of 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)) for the registrant 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.

Date: May 9, 2022

/s/ Chen Franco-Yehuda

Chen Franco-Yehuda
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Pluristem Therapeutics Inc., or the Company, for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof, or the Report, I, Yaky Yanay, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. ss. 1350, that, to my knowledge:

- (2) 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 results of operations of the Company.

Dated: May 9, 2022

/s/ Yaky Yanay

Yaky Yanay

Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Pluristem Therapeutics Inc., or the Company, for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof, or the Report, I, Chen Franco-Yehuda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, that, to my knowledge:

- (2) 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 results of operations of the Company.

Dated: May 9, 2022

/s/ Chen Franco-Yehuda

Chen Franco-Yehuda

Chief Financial Officer

(Principal Financial and Accounting Officer)