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

FORM 10-K

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

For the years ended December 31, 2017 and 2016

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

For the transition period from _____ to _____

Commission file number 000-55413

Cell Source, Inc.

(Exact name of registrant as specified in its charter)

Nevada	32-0379665
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

57 West 57th Street, Suite 400
New York, NY 10019
(Address of principal executive offices)

(646) 416-7896
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common stock, $0.001 par value

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. ☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☑ No

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
(Do not check if a smaller reporting company)	Emerging growth company ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for completing 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 by Rule 12b-2 of the Exchange Act) ☐ Yes ☑ No

As of June 30, 2017, the aggregate market value of the issued and outstanding common stock held by non-affiliates of the registrant was $6,252,057 based on the closing sale price as reported on the OTC Markets.

As of July 23, 2018, there were 25,349,236 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE - None.

CELL SOURCE, INC.

FORM 10-K

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2017 and 2016

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PART I

ITEM 1. BUSINESS.

Current Filing

This annual report on Form 10-K is being filed with respect to the fiscal years ended December 31, 2017 and 2016. It is being filed by us in order to satisfy our obligations to file an annual report on Form 10-K for each of such years under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This is our first periodic filing since the quarter ended September 30, 2016. Included in this report are the audited consolidated financial statements that have not been included in annual reports on Form 10-K since the fiscal year ended December 31, 2015. We intend to file separate quarterly reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017 and March 31, 2018 after the submission of this annual report on Form 10-K.

We recognize that this filing is not a comprehensive filing with all filings that are delinquent and until such time that the quarterly 10-Q's for the periods mentioned above are filed with the SEC, the Company continues to be delinquent with its filing requirements. The Risk Factors section of this document describes the risks associated with the continued deficiency resulting from the incomplete filings.

This annual report should be read together and in connection with the other reports filed by us with the SEC.

Overview

TTSI Corporate History

Cell Source, Inc. (the "Company") is a Nevada corporation formed on June 6, 2012 under the name Ticket to See, Inc. ("TTSI"). Prior to the Share Exchange (as defined below), we did not have any significant assets or operations. Cell Source, Inc. is the parent company of Cell Source Ltd. ("Cell Source Israel"). Cell Source Israel was founded in Israel in 2011 in order to commercialize a suite of inventions relating to certain cancer treatments.

Share Exchange

On June 30, 2014 (the "Closing Date"), TTSI entered into and closed a Share Exchange Agreement (the "Share Exchange Agreement") with Cell Source Israel and 100% of the shareholders of Cell Source Israel (the "CSL Shareholders") whereby Cell Source Israel became the wholly-owned subsidiary of TTSI and TTSI changed its name to Cell Source, Inc. (the "Share Exchange"), and whereby certain CSL Shareholders, holding 18,245,923 of the outstanding shares of Cell Source Israel, transferred to the Company an aggregate of 18,245,923 shares of Cell Source Israel's ordinary shares, each of nominal value of NIS 0.01 ("CSL Ordinary Shares") in exchange for an aggregate of 18,245,923 newly issued shares of the Company's Common Stock, par value $0.001 per share (the "Company Common Stock" or the "Common Stock"). The aggregate of 18,245,923 shares of newly issued Company Common Stock represented 78.5% of the outstanding shares of Company Common Stock following the Closing Date. In addition, outstanding five (5) year warrants to acquire 4,859,324 CSL Ordinary Shares at an exercise price of $0.75 per share (the "CSL Warrants") were exchanged for newly issued warrants to purchase shares of Company Common Stock (the "Company Warrants"), which Company Warrants contain substantially similar terms as the CSL Warrants. In addition, outstanding warrants to acquire 2,043,835 CSL Ordinary Shares held by Yair Reisner, Ph.D. and Yeda Research and Development Company Limited were exchanged for warrants to purchase shares of Company Common Stock (the "Researcher Company Warrants"), which Researcher Company Warrants contain substantially similar terms as their warrants to acquire CSL Ordinary Shares. The aggregate of 6,903,159 Company Warrants and Researcher Company Warrants represented 77.5% of the outstanding warrants to purchase Common Stock of the Company following the Closing Date.

Cell Source Israel's Private Placement

Beginning in November 2013, Cell Source Israel collected and entered into a series of subscription agreements (the "Subscription Agreement") with certain accredited investors (the "Investors") in a private placement offering (the "Private Placement"). Cell Source Israel held closings of the Private Placement between December 9, 2013 through April 7, 2014, pursuant to which Cell Source Israel sold an aggregate of 4,759,324 Units (the "Units"), at a purchase price of $0.75 per Unit, for gross proceeds of $3,569,475. Each Unit consisted of one (1) share of CSL Ordinary Shares and one (1) CSL Warrant. Each CSL Warrant entitled the holder to purchase one (1) share of CSL Ordinary Shares for a five (5) year period at an exercise price of $0.75 per share.

Under the Subscription Agreement, the Investors were granted the following rights for a period of five (5) years commencing on the closing of the Private Offering: (i) in the event any shares of CSL Ordinary Shares or securities convertible, exchangeable or exercisable for CSL Ordinary Shares are issued at a price less than $0.75 per share ("Adjustment Event"), subject to certain adjustments, then additional CSL Ordinary Shares, or equivalents, will be issued to the Investors such that the aggregate holdings of the Investors is equal to the aggregate holding had such Investors initially purchased at the applicable lower price by which securities were issued in the Adjustment Event (except that certain issuances set forth in the Subscription Agreement would not be an Adjustment Event); and (ii) upon any financing by Cell Source whereby CSL Ordinary Shares or securities convertible into CSL Ordinary Shares are issued or sold (a "Subsequent Financing"), Investors have the right to participate in such Subsequent Financing (subject to customary exemptions). The Investors were also granted the right to elect up to two (2) independent board members. On May 29, 2014, the majority of the Investors granted certain groups of shareholders the right to elect, subject to the closing of the Share Exchange Agreement, Yoram Drucker, Itamar Shimrat, David Zolty, Ben Friedman and Dennis Brown to the Board of Directors of the Company. Furthermore, pursuant to the Subscription Agreement, in the event that the Registration Statement, as defined below, was declared effective, the Company was obligated to issue to certain founders of Cell Source Israel (Isaac Braun, Saar Dickman, Itamar Shimrat and Yoram Drucker) warrants to purchase an aggregate of 3,000,000 shares of Company Common Stock at an exercise price of $0.75 per share, subject to the same adjustments and terms as the Company Warrants.

In connection with the Private Placement, Cell Source Israel also entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the Investors, pursuant to which Cell Source Israel agreed to file a registration statement (the "Registration Statement"), registering for resale (i) all CSL Ordinary Shares, or securities into which they were exchanged, that were included in the Units; and (ii) all CSL Ordinary Shares, or equivalent securities, issuable upon exercise of the Investor Warrants or upon exercise of warrants into which the Investor Warrants were exchanged. The Company filed the Registration Statement on August 8, 2014 and it was declared effective by the Securities and Exchange Commission on November 10, 2014.

As a result of the Share Exchange, the Company assumed the obligations of Cell Source Israel under the Subscription Agreement and Registration Rights Agreement.

The foregoing descriptions of the Private Placement and related agreements and transactions do not purport to be complete and are qualified in their entirety by reference to the complete text of such agreements.

Implications of being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act, enacted in April 2012. An "emerging growth company" may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations in this report on Form 10-K;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, which such fifth anniversary will occur in 2018. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that this decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Notwithstanding the above, we are also currently a "smaller reporting company", meaning that we are not an investment company, an asset-backed issuer, nor a majority-owned subsidiary of a parent company that is not a smaller reporting company, and has a public float of less than $75 million and annual revenues of less than $50 million during the most recently completed fiscal year. Some of the reduced disclosure and other requirements available to us as a result of the JOBS Act may continue to be available to us after we are no longer considered an "emerging growth company". Specifically, similar to "emerging growth companies", "smaller reporting companies" are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as an "emerging growth company" or "smaller reporting company" may make it harder for investors to analyze our results of operations and financial prospects.

Cell Source Israel Corporate History

Prior to the Share Exchange, Cell Source Israel was a privately held company located in Tel Aviv, Israel. Cell Source Israel was founded in 2011 in order to commercialize a suite of inventions that were the result of over ten (10) years of research at the Weizmann Institute of Science in Rehovot, Israel ("Weizmann Institute"). Pursuant to a Research and License Agreement by and between Cell Source Israel and Yeda Research and Development Company Limited ("Yeda"), dated October 3, 2011, as amended in April, 2014 November, 2016, and., most recently, in March, 2018 (the "Yeda License Agreement"), Yeda, the commercial arm of the Weizmann Institute, granted Cell Source Israel an exclusive license to certain patents, discoveries, inventions, and other intellectual property generated (together with others) by Yair Reisner, Ph.D. ("Dr. Reisner"), former head of the Immunology Department at the Weizmann Institute.

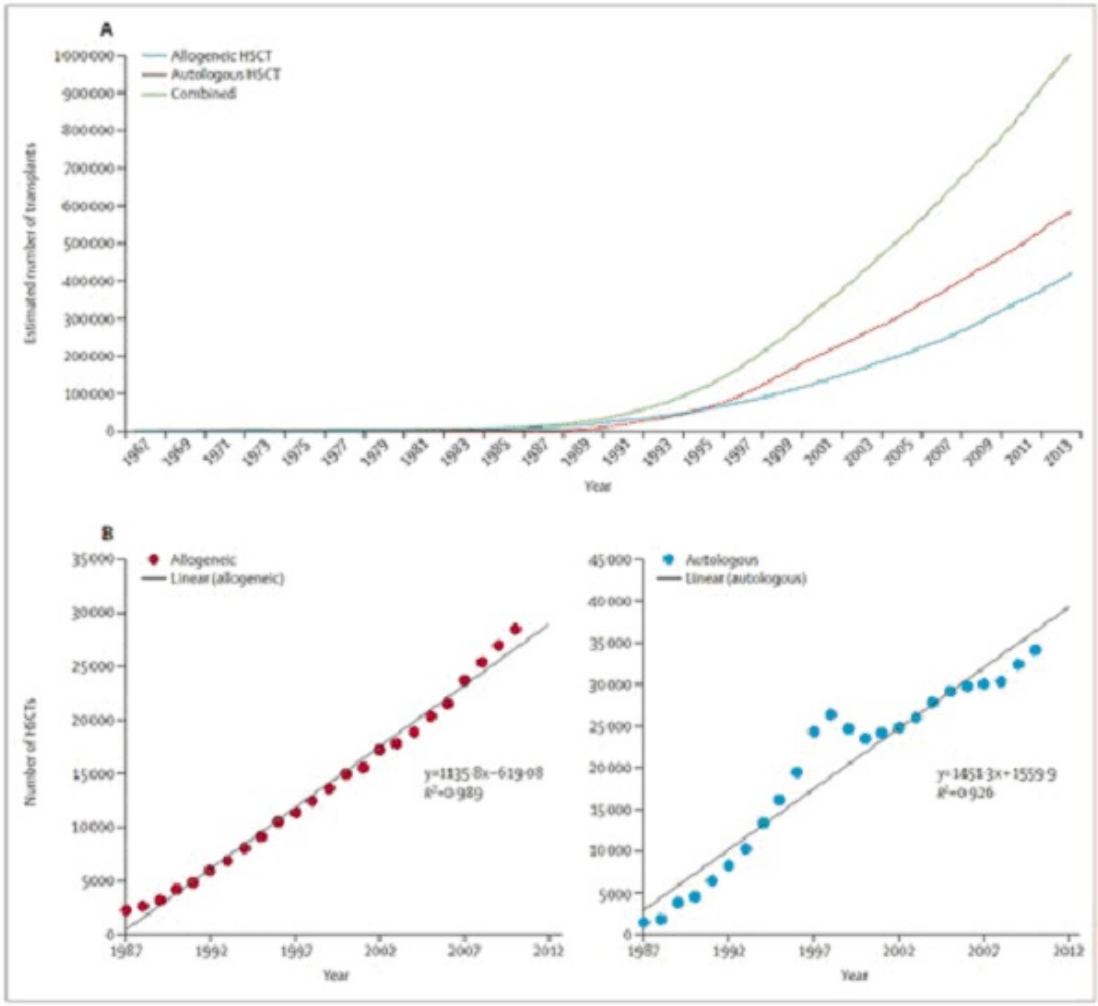
Our Business

We are a cell therapy company focused on immunotherapy. Our technology seeks to address one of the most fundamental challenges within human immunology: *how to tune the immune response such that it tolerates selected desirable foreign cells, but continues to attack all other (undesirable) targets.* In simpler terms, many potentially life-saving treatments have limited effectiveness today because the patient's immune system rejects them. Today, rejection is partially overcome using aggressive immune suppression treatments that leave the patient exposed to many dangers by compromising their immune system. The ability to overcome rejection without having to compromise the rest of the immune system may open the door to effective treatment of a number of severe medical conditions which are characterized by this need. These include:

- Haematological malignancies (leukemias, lymphomas, etc.). One of the most effective treatments for these conditions is bone marrow transplantation. However, this is a risky and difficult procedure primarily because of potential conflicts between host and donor immune systems and also due to viral infections that often follow even successful bone marrow transplantations.
- The broader set of cancers, including solid tumors, that can potentially be treated effectively using genetically modified cells such as CAR-T cells, but also face efficacy and economic constraints due to limited persistence based on immune system issues.
- Organ failure and transplantation. A variety of conditions can be treated by the transplantation of vital organs. However, transplantation is limited both by the problem of rejection and an insufficient supply of available donor organs.
- Non-malignant haematological conditions (such as sickle cell anemia) which could, in many cases, also be effectively treated by bone marrow transplantation if the procedure did not pose such threatening conflicts between host and donor immune systems.

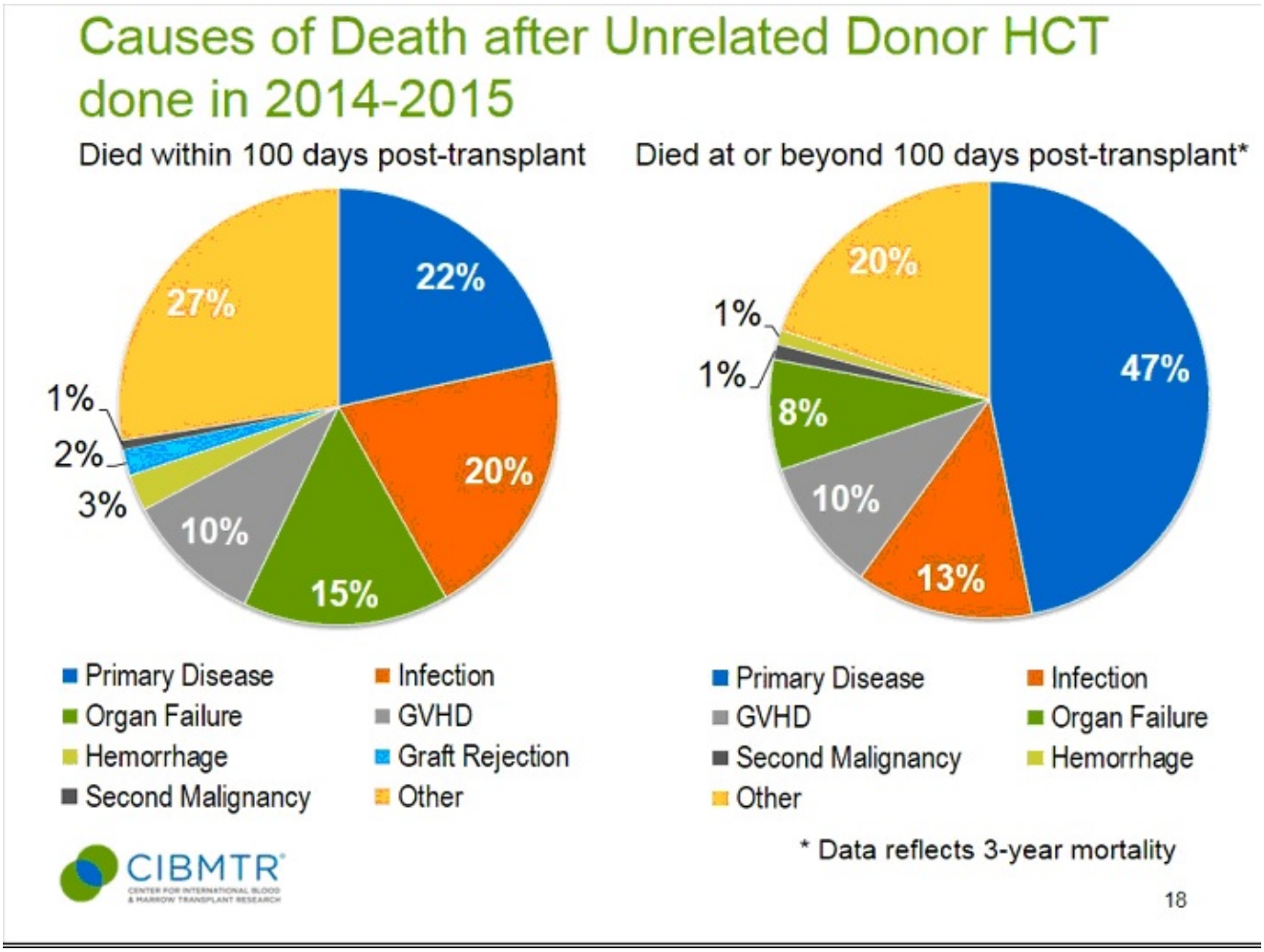
Haematological Malignancies

Haematological malignancies (blood cancers) comprise a variety of lymphomas and leukemias. A very important treatment protocol for these malignancies involves the use of hematopoietic stem cell transplantation ("HSCT"). To the best of our knowledge, over 1,000,000 bone marrow transplantations have been performed worldwide with the annual number of procedures exceeding 60,000 (table below). Our technology will be immediately applicable to, at a minimum, the roughly 30,000 worldwide bone marrow transplants that are allogeneic (using cells taken from another individual).



Source: Worldwide Network for Blood and Marrow Transplantations

HSCT often has a curative effect when successful. However, it is very risky. HSCT involves destroying the patient's native immune system with radiation or chemotherapy (myeloablation) before the transplantation, and then suppressing immune response (immunosuppression) with drugs to manage the conflicts between host and donor cells, often for the rest of the patient's life. The majority of patients are unable to find a matched family donor. Approximately 35-40% of all unrelated donor transplant patients die within two years of transplantation. Among those who die in the first 100 days post-transplant, 30% die from either infections (associated with a compromised immune system) or GVHD (Graft Versus Host Disease).



Myeloablation and immunosuppression are dangerous and difficult to tolerate, especially in patients over age 50. Therefore HSCT has been used mainly with younger patients

This means that:

a) many blood cancer patients are not candidates for the primary treatment (HSCT) that represents a potential cure;
b) there is high mortality among those patients who are candidates for HSCT and do undergo the procedure; and
c) those patients who successfully undergo and survive HSCT take dangerous, expensive, and quality-of-life reducing immunosuppression medications, typically for a prolonged period of time.

There is widespread awareness of the need for improved immune-system management technologies for HSCT - both to improve outcomes of transplantations for the traditional target set of patients and to expand the use of the procedure by making transplantation safe enough to become appropriate for a broader set of patients.

We aspire to use Veto Cell technology to dramatically improve the outcomes of the allogeneic transplantations already being performed, and thereby to rapidly penetrate the current market. However, our target population greatly exceeds those patients who currently undergo HSCT, as the firm's tolerizing technology could potentially make allogeneic transplantation an option for a much larger proportion of the diseased population. The following table shows the prevalence of the specific haematological malignancies on which we will focus:

Initial Malignancy Indications (note estimates for North America and EU only)	Prevalence (Number patients)	Annual Bone Marrow Transplantations
Non-Hodgkin's Lymphoma	920,460	15,017
Multiple Myeloma	216,784	20,654
Leukemia	586,671	18,582
Total	**1,723,915**	**54,253**

Source: National Cancer Institute, World Health Organization, Leukemia & Lymphoma Society, European Society for Blood and Marrow Transplantation

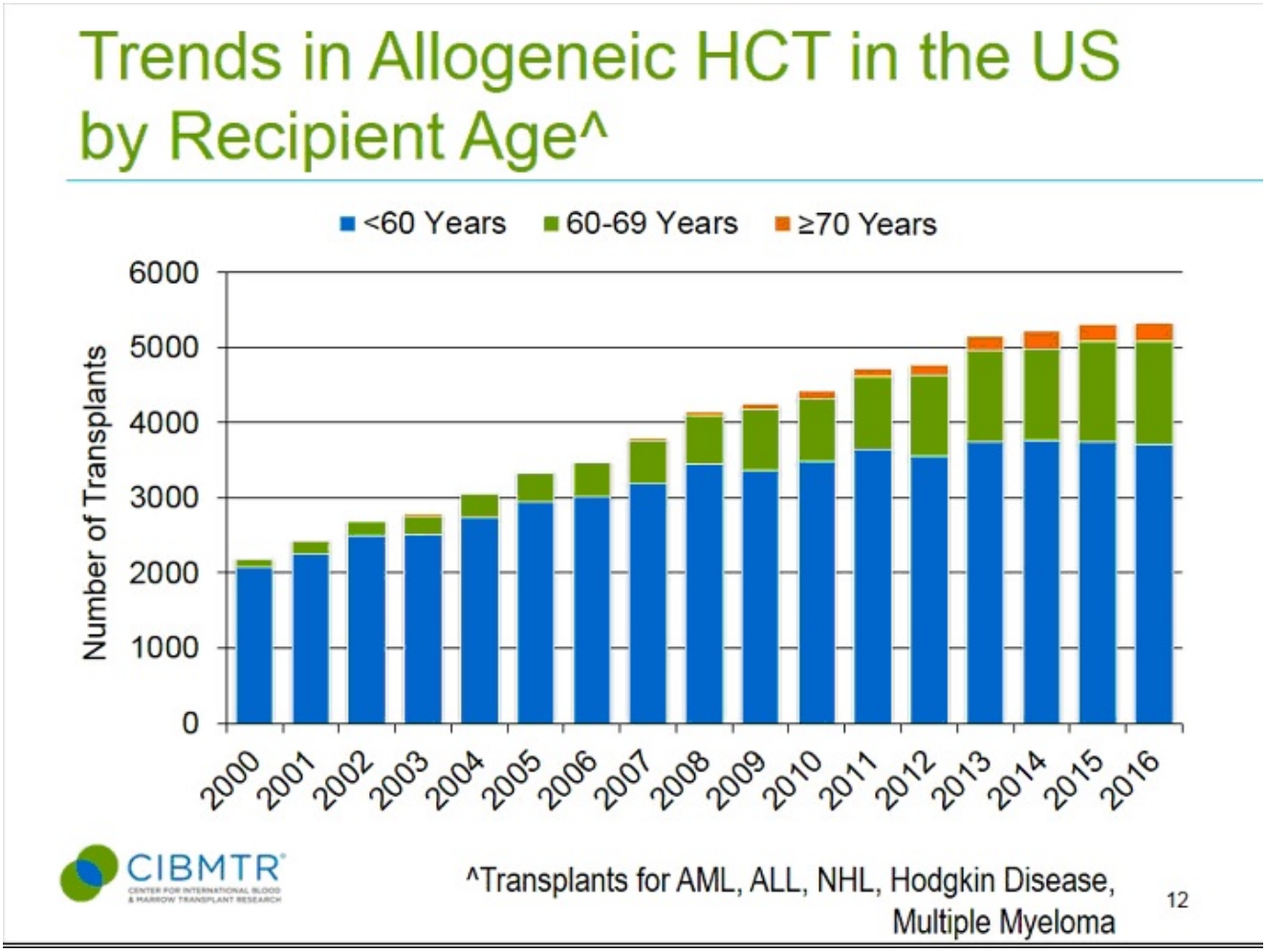
For the purposes of this report, it is assumed that the immediate candidates for Cell Source-enabled HSCT will be the subset of cancer patients that today receive transplantations as part of their cancer treatment (rightmost column in table above). We believe that a portion of these patients will benefit from Veto Cell adjunct therapy, as such therapy aspires to improve the success and reduce the risk and mortality of a procedure that they are having anyway. With time, as Veto Cell treatment becomes more widespread and data is accumulated, we believe that the percentage of patients that will be referred for Veto Cell enabled HSCT will increase significantly.

It is also important to note that incidence of these diseases is increasing. The global market for hematological malignancies was estimated at $27 billion in 2015 and is projected to increase in size to over $50 billion by 2024 according to *"Hematological Malignancies Market - Global Industry Analysis, Size, Share, Growth, Trends, and Forecast 2016 - 2024."* Published by Transparency Market Research. The aging of the US population and the increased incidence of hematologic malignancies are expected to significantly increase the number of older patients who receive allogeneic HSCT.

HSCT Market Trends

There are four important market trends affecting the hematological malignancies market:

1) As noted above, increasing incidence of these disorders in the West, largely driven by the aging population.
2) Improvement and proliferation of HSCT treatments.
3) A "virtuous circle" of lowered death rate due to better transplantations leading to more aggressive focus on HSCT.
4) The growing use of milder conditioning regimens, which makes the procedure more survivable for older patients (see table below).



However, despite the above trends, the use of HSCT, especially allogeneic, remains limited because of the risks associated with the myeloablative treatments required to reduce the host immune response and GVHD. This means that the "gold-standard" of treatment is largely unavailable to the age cohort that makes up the majority of sufferers of these diseases.

The Company aspires to address this issue in a distinctive manner by significantly reducing the need for myeloablative treatment and avoiding the risk of GVHD, thereby improving the outlook for allogeneic transplantations and enabling their use in a much larger population set.

Relevant Non-Malignant Diseases

While Hematological malignancies represent the Company's initial focus, the Company's selective immune response blocking technology may also be effective in treating certain non-malignant organ diseases as well as blood and immune system disorders. This would represent an additional growth opportunity for the Company.

The target non-malignant diseases are widespread. The Company's first non-malignant disorder target is expected to be is support of organ transplantations (kidney, liver, etc.). Approximately 60,000 such procedures are conducted in North America and the EU each year. As with bone marrow transplantations, organ transplantations require substantial immunosuppression to prevent rejection. This ongoing treatment is dangerous, quality-of-life reducing, and costly. The Company's Veto Cell technology can potentially be used to selectively reduce immune response to the transplanted organ, thus reducing the need for aggressive immunosuppression post transplantation.

A second target within non-malignant disorders are blood diseases such as sickle cell disease and aplastic anemia. This is a serious and relatively common disease. Sickle cell anemia can be treated by HSCT which replaces the defective bone marrow cells. However, because of HSCT's riskiness, the procedure is currently used only in extreme cases. If successful in enabling safer HSCT, the Company will make this treatment available to a broader set of sickle cell anemia sufferers. As the therapy would be introduced in the form of bone marrow transplantation, we assume that only patients with relatively severe forms of the disease will initially be candidates. As such, only a minority of sickle cell anemia patients will be treatment candidates.

Market Access and Channels

The market for transplantation therapies is relatively concentrated. There are approximately 1,600 transplantation centers worldwide, of which some 700 are in North America and Western Europe.

A relatively small subset of these (often termed "Centers of Excellence") tends to set the practice standards for the entire transplantation community. Therefore, as discussed in the "Strategy" section, the Company plans to focus its initial penetration strategy on a relatively small group of influential centers.

Reimbursement issues for our therapies are expected to be relatively straightforward. Once clinical effectiveness and regulatory approval are established, the value-proposition for payors and providers is expected to be clear and compelling. Issues connected with immunosuppression and rejection constitute a major component of bone marrow transplantation costs, and significant improvement in this area is expected to bring substantive cost-savings for payors.

Sector Focus

We are in the general space of immunotherapy. The cancer immunotherapy market was estimated at $37 billion for 2015 and projected to grow to $125 billion by 2024, according to Transparency Market Research.

Within the immunotherapy field, our initial focus is on allogeneic therapies (treatments using donor derived-as opposed to patient derived-cells), with a focus on haploidentical transplantations (transplantations that use cells from partially matched-as opposed to fully matched-donors and recipients). While potentially valuable, allogeneic therapies are relatively complex, risky, and expensive. A key driver of this complexity and associated costs is the conflict between host and donor immune systems, as discussed above.

Our technology, which in preclinical studies, and in the case of the Megadose Drug Combination in a first-in-human proof of concept, has shown the ability to enable tolerance of donor cells without affecting other immune processes, is fundamentally enabling. We expect it to significantly increase the safety, reduce the cost, and therefore broaden the scope of indications for such procedures.

Over time, we aspire to apply these technologies to autologous therapies (the processing and re-transplantation of an individual's own cells) for example for the treatment of B cell malignancies. All of these treatments would take the form of non-invasive cell suspension treatments administered intravenously. The currently planned treatment modality of fully personalized medicine (i.e., using the patient's own cells or those of a donor provided expressly by that patient) could, in some cases, eventually be supplanted by a more generic "off the shelf" modality offering which would be marketed as a pre-packaged suspension of cells and medium, taken and stored in advance for each cell "type" and then shipped to patients with the same "type" who have never met the donor. This delivery model is a longer term aspiration for us and is beyond the scope of our current market share projections.

Our Value Drivers

Our current positioning in the cancer immunotherapy value chain is typical of an early clinical stage company: developing, validating and attaining regulatory approvals for the various applications of our technology platforms. Going forward, once the products are commercialized, physician and patient interest in these treatments is expected to drive insurer reimbursement for patients - a key demand lever. The generic value chain for biotechnology development commences with an invention which is formulated, patented and successful in pre-clinical animal trials. We have already passed this stage with our Veto Cell technology platform, for which we have an exclusive license to use from Yeda, the owner of these patents. The next steps in development include human trials (first testing safety and then efficacy). Finally, the offering earns regulatory approval and patient treatment, along with the ensuing revenues, can commence. This can be a particularly lengthy process in the United States and therefore some medical treatments are approved in Europe or Asia and generate revenues there prior to commencing U.S. sales. Recently passed "fast track" regulation in the U.S. is aimed at getting critical treatments for life threatening conditions to patients more quickly.

Our successful preclinical validation of the Veto Cell treatment involved basic laboratory research including both in-vivo (live) animal trials and in-vitro (in a glass dish) human cell trials. This validates the protocol prior to commencing human clinical trials. Human clinical trials fine-tune the treatment protocol and confirm both safety and efficacy in treating patents. In parallel, the patents on the core technology go into the national phase in various countries and are emended with claims associated with exact treatment protocols, bolstering the protection afforded by already issued patents on the base technology.

In some cases, successful biotech companies have been able to capitalize on positive human clinical results (even prior to full approval for patient treatment) by either signing lucrative non-dilutive distribution option deals or by being partially or fully acquired by larger market participants. KITE Pharmaceuticals was acquired outright by Gilead Sciences in 2017 for $11.9 billion in cash, prior to having attained FDA approval and prior to commencing any product sales. There is no indication or assurance that we are currently under consideration for any option or acquisition deal.

We plan to commence human clinical trials for approval for the Veto Cell based treatments in the United States in 2018. We have had positive preclinical results for three of our cell therapy treatments. Yeda, the proprietary owners of the patents underlying our technologies from whom we license our patents, has been granted patents for its original Veto Cell. The revised versions of the Veto Cell are the subject of patent applications which have been granted in some jurisdictions and are pending in others. These newer patent applications leverage the priority of the already granted patents. We plan to conduct human clinical trials. If these trials are successful, they will demonstrate both safety (the patients survived and were not harmed) and initial indications of efficacy (there are signs of successful engraftment, and in the case of cancer patients prolonging the progression free period).

Science and Technology Overview

The patent portfolio that we license from Yeda, includes a variety of cell therapy applications. The portfolio includes both granted and pending patents. The total relevant patent portfolio consists of 12 patent "families" (i.e. grouping of similar patent applications in different territorial jurisdictions) which currently include 37 granted patents, 2 allowed patents and a further 42 pending patents. The key terms of the agreement pursuant to which we license all of Yeda's patents related to our technology is set forth in the section entitled "Intellectual Property" herein. The license period (per product, per country) is for the full life of the patents, and expires at the later of the patent expiration date in that country or 15 years after the date that the FDA or local equivalent regulatory authority in each country approves that particular product for sale in that country. As long as Cell Source either continues or sponsor research or pays either a nominal license fee of $50,000 per year (total for use of all the products) or pays royalties on product sales on at least one product as per the license agreement, the license will remain in effect continuously and expire only with the expiration of the patent or 15 years after regulatory approval (later of the two) per product per country as described above. Cell Source voluntarily sponsors research at the Weizmann Institute for the sake of developing its products and treatments from initial invention through to finalization of human treatment protocols. Cell Source extended the initial research period, which originally terminated in October 2014, for an additional four years through October 2018. Furthermore, it plans to sponsor research at the Weizmann Institute through June, 2019.

Professor Yair Reisner, the inventor of Veto Cell technology, has recently left the Weizmann Institute of Science in Israel and relocated to the University of Texas MD Anderson Cancer Center in Houston, Texas. He has been awarded a $6 million grant from the Cancer Research and Prevention Institute of Texas. This coupled with research funding from the University itself, provides him with a total funding commitment of $10 million for five years. Professor Reisner has been hired to lead the research at the Department of Stem Cell Transplantation & Cellular Therapy at MD Anderson.

Cell Source plans to sponsor ongoing research by Professor Reisner and his team, some of whom have also relocated from the Weizmann Institute to MD Anderson, for developing existing and new applications for Veto Cell technology, and to license any new Veto Cell intellectual property developed there on an exclusive basis, as it does from Yeda.

MD Anderson is the largest HSCT center in the United States, performing over 1,000 transplantations per year. Cell Source plans to conduct human clinical trials for its Anti-Rejection Anti-viral Veto Cell at MD Anderson Cancer Center commencing in 2018. Professor Richard Champlin, who Chairs their Department of Stem Cell Transplantation and Cellular Therapy and is a longtime associate and collaborator of Professor Reisner, is meant to serve as Principal Investigator for these trials.

Although Yeda has applied for and been granted various patents related to our technology, a granted patent only provides Yeda, and the Company by virtue of its exclusive license, the right to use the underlying invention. However, in order for our cell-therapy and cancer therapy to be legally sold and administered to patients, the FDA or similar regulatory agencies must approve its use. In other words, having a patent provides legal "freedom to operate" for a certain technology, and may provide the ability to prevent others from using the same technology without the patent holder's permission. However, in order to legally manufacture and distribute products, a company must go through all of the typical approval steps delineated in the "Overview" section above.

The following sections provide an overview of each platform. Further information on the underlying science is available upon written request and the execution of an appropriate nondisclosure agreement.

Our licensed technology portfolio consists of 12 patent families, 37 granted patents, 2 allowed patents and a further 42 pending patents. The following table lists the patents and patent applications that Yeda holds and which we have a license to use in each of the below-referenced countries:

Name: VETO CELLS EFFECTIVE IN PREVENTING GRAFT REJECTION AND DEVOID OF GRAFT VERSUS HOST POTENTIAL

Country	Patent Number	Filed	Expires	Status	Assignee
USA (Basic)	6,544,506	05-Jan-2000	05-Jan-2020	Granted	Yeda Research and Development Co. Ltd.
USA (National Phase)	7,270,810	28-Dec-2000	1-Dec-2021	Granted	Yeda Research and Development Co. Ltd.
Europe	1244803	28-Dec-2000	28-Dec-2020	Granted	Yeda Research and Development Co. Ltd.
Israel	150440	28-Dec-2000	28-Dec-2020	Granted	Yeda Research and Development Co. Ltd.

Name: ANTI THIRD PARTY CENTRAL MEMORY T CELLS, METHODS OF PRODUCING SAME AND USE OF SAME IN TRANSPLANTATION AND DISEASE TREATMENT

Country	Patent Number	Filed	Expires	Status	Assignee
USA	9,738,872	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.
Europe	2365823	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.
Israel	212587	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.
India	285832	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.
China	ZL200980153053.4	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.
Russian Federation	2506311	29-Oct-2009	29-Oct-2029	Granted	Yeda Research and Development Co. Ltd.

Name: USE OF ANTI THIRD PARTY CENTRAL MEMORY T CELLS FOR ANTI-LEUKEMIA/LYMPHOMA TREATMENT

Country	Patent Number	Filed	Expires	Status	Assignee
USA	9,421,228	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
USA	2016-0354410-A1	08-Sep-2011	08-Sep-2031	Pending	Yeda Research and Development Co. Ltd.
Japan	5,977,238	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
Canada	2,810,632	08-Sep-2011	08-Sep-2031	Pending	Yeda Research and Development Co. Ltd.
China	ZL201180053858.9	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
China	CN 105907713 A	08-Sep-2011	08-Sep-2031	Pending	Yeda Research and Development Co. Ltd.
Republic of Korea	10-1788826	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
Israel	225102	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
Brazil	BR 11 2013 005756 4	08-Sep-2011	08-Sep-2031	Pending	Yeda Research and Development Co. Ltd.
Mexico	MX/a/2013/002668	08-Sep-2011	08-Sep-2031	Allowed	Yeda Research and Development Co. Ltd.
Singapore	188473	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
Europe	2613801	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.
Hong Kong	HK1187528	08-Sep-2011	08-Sep-2031	Granted	Yeda Research and Development Co. Ltd.

Name: ANTI THIRD PARTY CENTRAL MEMORY T CELLS, METHODS OF PRODUCING SAME AND USE OF SAME IN TRANSPLANTATION AND DISEASE TREATMENT

Country	Patent Number	Filed	Expires	Status	Assignee
USA	15/825,275	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.
Europe	2753351	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Hong Kong	HK1200099	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Japan	6,196,620	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Canada	2,848,121	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.

China	ZL201280054739.X	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Australia	2012305931	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Republic of Korea	10-2014-7009267	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.
New Zealand	622749	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
South Africa	2014/01993	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
India	577/MUMNP/2014	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.
Israel	231397	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.
Russian Federation	2636503	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Brazil	BR 11 2014 005355 3	06-Sep-2012	06-Sep-2032	Pending	Yeda Research and Development Co. Ltd.
Mexico	351226	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.
Singapore	11201400513P	06-Sep-2012	06-Sep-2032	Granted	Yeda Research and Development Co. Ltd.

Name: GENETICALLY MODIFIED ANTI-THIRD PARTY CENTRAL MEMORY T CELLS AND USE OF SAME IN IMMUNOTHERAPY

Country	Patent Number	Filed	Expires	Status	Assignee
USA	15/744,905	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd
Europe	16750269.9	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.
China	CN108135938A	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.
Japan	2018-501339	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.
Israel	256916	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.
Canada	2,991,690	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.
Australia	2016291825	14-July-2016	16-Jul-2036	Pending	Yeda Research and Development Co. Ltd.

Name: USE OF ANTI THIRD PARTY CENTRAL MEMORY T CELLS

Country	Patent Number	Filed	Expires	Status	Assignee
China	201680053579.5	14-Jul-2016	16-JuL-2036	Pending	Yeda Research and Development Co. Ltd.
Europe	16745186.3	14-Jul-2016	16-JuL-2036	Pending	Yeda Research and Development Co. Ltd.

Name: METHODS OF TRANSPLANTATION AND DISEASE TREATMENT

Country	Patent Number	Filed	Expires	Status	Assignee
USA	15/744,881	14-Jul-2016	14-JuL-2036	Pending	Yeda Research and Development Co. Ltd.

Name: METHODS OF TRANSPLANTATION AND DISEASE TREATMENT

Country	Patent Number	Filed	Expires	Status	Assignee
USA	15/873,943	18-Jan-2018	16-Jul-2038	Pending	Yeda Research and Development Co. Ltd.

Name: VETO CELLS GENERATED FROM MEMORY T CELLS

Country	Patent Number	Filed	Expires	Status	Assignee
PCT	WO2018/002924	27-Jun-2017	27-Jun-2037	Pending	Yeda Research and Development Co. Ltd.

Name: GENETICALLY MODIFIED VETO CELLS AND USE OF SAME IN IMMUNOTHERAPY

Country	Patent Number	Filed	Expires	Status	Assignee
PCT	IL2018/050071	18-Jan-2018	18-Jan-2038	Pending	Yeda Research and Development Co. Ltd.

Name: A COMBINATION THERAPY FOR A STABLE AND LONG TERM ENGRAFTMENT

Country	Patent Number	Filed	Expires	Status	Assignee
Singapore	10201801905W	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Mexico	MX/a/2014/007647	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Russian Federation	2657758	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Israel	233303	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.

India	1468/MUMNP/2014	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
New Zealand	627272	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Republic of Korea	10-2014-7020449	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Australia	2012355990	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
China	CN 104470542 A	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Canada	2,859,953	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Europe	2793914	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
USA	2014-0363437-A1	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Hong Kong	15103467.1	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.

Name: A COMBINATION THERAPY FOR A STABLE AND LONG TERM ENGRAFTMENT USING SPECIFIC PROTOCOLS FOR T/B CELL DEPLETION

Country	Patent Number	Filed	Expires	Status	Assignee
Singapore	11201403456U	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Mexico	MX/a/2014/007648	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Brazil	BR 11 2014 015959 9	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Russian Federation	2648354	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Israel	233302	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
India	1467/MUMNP/2014	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
South Africa	2014/05298	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
New Zealand	627549	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Australia	2012355989	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Australia	2016259415	20-Dec-2012	20-Dec-2032	Allowed	Yeda Research and Development Co. Ltd.
China	CN 104093314 A	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Canada	2,859,952	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Japan	6,313,219	20-Dec-2012	20-Dec-2032	Granted	Yeda Research and Development Co. Ltd.
Europe	2797421	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
USA	2014-0369974-A1	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.
Hong Kong	15103468.0	20-Dec-2012	20-Dec-2032	Pending	Yeda Research and Development Co. Ltd.

Veto Cell Technology Platform

Background

Our Veto Cell technology is a next generation immunotherapy technology that enables the selective attenuation of the immune system. In other words, pre-clinical studies suggest that the treatment has the ability to reduce the immune response to selective "threats," with low risk for adverse side effects.

What makes the Veto Cell approach distinctive is the degree to which it leverages the inherent specificity of the human immune system. The immune system defends the body by creating a specific stream of T-cell clones for each of millions of individual threats. A given T-cell will attack only its specific target, ignoring all other threats. Our technology might enable the physician to selectively attenuate immune response, thus effectively "switching-off" an individual stream of T-cell clones without affecting any other such streams of T-cell clones dispatched by the immune system to attack unwanted incursions. The technology is based on the discovery that certain T-cells have the property of attracting and proactively neutralizing immune attacks on them.

The technology has achieved distinctive results in animal live trial models. *See, e.g.*, Thorsten Zenz, *Exhausting T cells in CLL*, BLOOD, Feb. 28, 2013, at 1485. If it succeeds in human clinical trials, we believe that it may have meaningful and potentially broad impact on the field of bone marrow transplantation:

1) Significantly improve outcomes of transplantations by reducing host rejection rate of T-cell depleted bone marrow, markedly reducing both the risk of GVHD and the need for using aggressive amounts of immunosuppression medications, as well as preventing viral infections that typically threaten patients post transplantation. This would significantly reduce the HSCT transplant mortality rate and therefore lead to broader use of this treatment.
2) Substantively increase the number of transplantations by enabling lower myeloablative conditioning and therefore making the therapy accessible to older and sicker patients (who today may not survive ablation).
3) Further increase the number of transplantations by making transplantation appropriate for other indications (for which today transplantation would be considered an inappropriately risky treatment).

In addition, our Veto Cell technology may possibly play a role in the treatment of a number of serious and currently poorly treated non-malignant diseases. Furthermore, initial animal trials have shown potential anti-lymphoma activity. Finally, based on preclinical studies with using genetically modified cells, we believe that Veto Cells will be able to act as critical enabler for other cell therapies being developed by third parties, most notably CAR-T cell therapy, which has recently shown strong initial indications of being effective in cancer treatment.

Yeda Research & Development Ltd. (Yeda), the commercial arm of the Weizmann Institute of Science, has filed two patent applications that extend the usage of Veto Cell technology as a critical enabler for other cell therapy treatments. These patents are have recently entered the national phase. One patent application highlights, based on preclinical data, the ability of Veto Cells to accompany other cell therapy treatments and help them overcome rejection and avoid Graft vs. Host Disease (GVHD) in an allogeneic (using a third party donor) treatment setting. The other patent application involves a genetically modified Veto Cell that can have sustained survival in the patient's body while avoiding rejection and GVHD. Both of these applications holds the potential to make CAR-T cells, which to date been effective primarily in an autologous (patient's own cells) setting, succeed in an allogeneic setting. What follows is a description of the significance of these two new patent applications:

- Gene modified cell therapy is considered to be one of the most promising cancer treatment approaches in decades, with companies like Kite Pharma and JUNO Therapeutics having recently been acquired at multi-billion dollar valuations after having successfully treated relatively small numbers of patients in clinical trails.
- While gene modified treatments such as CAR-T have shown remarkable results in cancer treatment trials, their published successes to date have been mostly limited to "autologous" blood cell cancer treatments using the patient's own cells. There are concerns that this type of "personalized" treatment may not have favorable economics on a large scale basis.
- The ideal more lucrative commercial path for CAR-T and similar genetically engineered cell therapies is to become "allogeneic" or off-the-shelf product with drug-like distribution economics and to treat a broad spectrum of cancers including solid tumors.
- Preclinical data show that Veto Cells can help genetically modified T-cells from the same donor to overcome rejection issues (among the problems exhibited to date by CAR-T therapy in an allogeneic setting), hence significantly increasing their persistence (longevity) and thus their efficacy in eradicating cancer. Based on this preclinical data, Cell Source believes that Veto Cells could potentially enable the use of Off-the-shelf CAR-T cells directed against malignant cells.

Cell Source has recently begun a collaboration, through its licensing agreement with Yeda, with Professor Zelig Eshhar, the inventor of CAR-T cells. Professor Eshhar has served as both a scientist at the Weizmann Institute and on the Scientific Advisory Board of KITE Pharma. This collaboration is meant to confirm the strength of combining Veto Cell technology with CAR-T cell therapy. Once the preclinical proof of concept is completed, Cell Source plans to produce its own independent off-the-shelf CAR-T + Veto cell treatment for both blood cell cancers and solid tumors.

Furthermore, Yeda has filed a patent application, licensed to Cell Source, for an Anti-viral Veto Cell. Below is an explanation of the potential for this application:

- Other than primary disease (typically blood cell cancer) the leading causes of death in unrelated donor bone marrow transplants are rejection, GVHD (Graft vs. Host Disease, where the donor bone marrow rejects the host or recipient), and infections, which collectively are responsible for 30% of deaths after unrelated donor transplants within the first 100 days post transplant.
- It is well established that GVHD can be prevented by T cell depletion of the bone marrow transplant. However, this procedure is also is associated with an increased rate of graft rejection. Preclinical studies clearly suggest that this problem can be overcome by adding Veto Cells to the bone marrow transplant. However, viruses such as CMV and EBV remain a major threat to patients post-transplant.
- Cell Source has developed a next generation Veto Cell that not only facilitates mismatched transplants but also protects the transplant recipient against these common viruses. During the initial period after a stem cell transplantation the patient's body undergoes an immune system reconstitution period. While the "new" immune system is building up, the patient is particularly vulnerable to viral infections such as CMV, an infection that is typically development in about half of bone marrow transplant recipients during the first 100 days post transplantation. Veto cells can fend off CMV until such time as the patient's own immune system reconstitutes to the point that it can fight off the infection on its own.
- Combining GVHD prevention by using T cell depleted transplants with anti-rejection action as well as virus prevention, Veto Cell could potentially significantly increase survival rates post-transplant.
- Based on preclinical data, veto cells can also be used to facilitate organ transplants (e.g. kidney transplant combined with a bone marrow transplant) with partially mismatched donors and either reduce or eliminate the need for lifelong daily anti-rejection treatment currently given to even fully matched donor organ recipients.
- Cell Source is currently in the process of attaining regulatory validation for the production of its Anti-viral Veto Cells in Europe and plans to commence doing so in the US this year, with a view to commencing human clinical trials by the end of 2018.

Mechanism

Our Veto Cell is a CD8 central memory anti-3rd party T-cell that has five critical properties:

1) It has an outer surface coating that triggers attack by specific host T-cells (and only those specific T-cells).
2) It can annihilate an attacking T-cell without itself being damaged (specifically, it exposes or releases a death-signaling molecule when an attacking T-cell binds to it).
3) It has been oriented to attack cells of a simulated third party (i.e., neither host nor donor) and thus exhibits markedly reduced risk of GVHD or graft rejection.
4) It is long-lived and endures in the body for extended periods.
5) It migrates to the thymus and lymph nodes.

The outcome is that when a large number of these cells are introduced into the body, they effectively eliminate the T-cell clones that the immune system dispatches to attack the desirable, transplanted bone marrow cells. Thus, for example, if a population of Veto Cells is derived from a donor, they will express the same peptide as do the donor's cells. Therefore, the specific stream of host T-cells that would ordinarily attack the donor stem-cells, are instead directed to "decoy" Veto Cells and disabled before they reach the transplantation.

Described in a Blood editorial as a "substantial advance in Cell Therapy," a notable characteristic of our Veto Cell is that this mechanism is quite specific. Only those specific T-cell clones that were generated to attack cells from this specific donor are disabled. The rest of the immune system essentially remains intact.

This is in marked contrast with conventional immunosuppression which degrades the entire immune system and is therefore associated with severe risk of infection and, in the case of bone marrow transplantations, high mortality.

This effect is long-lived. Firstly, the Veto Cells themselves are long-lived memory cells. Secondly, when infused with bone marrow cells the latter migrate to the thymus where, over time, they create a new “identity” in the host and initiate “chimerism,” where the host and donor cells peacefully co-exist. This chimerism has the effect of "educating" new T-cells being generated by the thymus to tolerate donor cells and this tolerance can become permanent. Furthermore, by inducing permanent tolerance to donor cells, Veto Cells may be able to enable both acceptance (i.e. mitigate both host rejection and GvH rejection) and thus persistence (i.e. extended survival resulting in enhanced efficacy) of important cell therapy treatments such as CAR-T cells, TCRs and NK cells in treating both blood cell and solid tumor cancers. Beyond this, Veto Cells can be directed not only to kill host anti-donor rejecting cells, but also common viruses such as EBV and CMV that are a common cause of post-transplantation morbidity and mortality.

Target Indications

Our Veto Cell technology, an intravenously administered cell suspension, if successful, could initially be used in bone marrow and other transplantations associated with malignant disorders (i.e., cancers). At a later stage, Veto Cell technology may be applied to selected non-malignant conditions. The following sections provide a brief overview of the use of the Veto Cell technology in both of these scenarios.

i. Bone Marrow Transplantation

In order to describe the effect of Veto Cells in transplantation, it is helpful to first briefly review the state of the art:
In a conventional bone marrow transplant, the recipient first receives myeloablative conditioning - powerful chemotherapy and/or radiation therapy intended to destroy his/her own bone marrow cells. This has a threefold purpose:

1) It destroys the host T-cells so they will not attack (reject) the donor bone marrow cells.
2) It makes space in the host bone marrow for the new donor cells.
3) It destroys diseased host blood cells so that they do not proliferate and cause relapse following the procedure.

In practice however, there are three major problems:

- Host rejection - the myeloablative conditioning does not destroy all of the host T-cells. Those that remain may aggressively attack the donor bone marrow cells before they can engraft.
- “Graft versus Host Disease” (GVHD) -the transplanted cells include donor T-cells which recognize the host's body as foreign and attack it.
- Viral infections are a common complication from HSCT and result in 20% of early patients deaths in unrelated-donor transplants in the US

Rejection, GVHD and viral infections are all potentially life-threatening complications in and of themselves and also lead to the use of dangerous and costly immunosuppression medications.

ii. Veto Cell in Transplantation

The Veto Cell technology addresses not only rejection but also GVHD and infections. In a transplantation scenario, a population of donor Veto Cells is created to “escort” the bone marrow cells when they are transplanted. This population is created by identifying donor cells with Veto Cell properties, exposing them to simulated 3rd party cells (i.e., selecting only those that react to a third person and therefore by definition will not react to either host or donor), and expanding their population in the lab.

The Veto Cells are then introduced into the host along with the transplanted stem cells. The host mounts its normal immune response to the donor cells by generating a population of T-cell clones that will bind to any cells expressing markers from this specific donor. In a conventional transplantation, these T-cells would bind to and destroy donor stem-cells thus causing rejection of the transplant.

However, when the transplantation is accompanied by large numbers of Veto Cells, this rejection mechanism is "ambushed." Since the Veto Cells express the same donor markers as the stem-cells, the host T-cell clones will attempt to bind to the donor-derived Veto Cells as noted above, which act as decoys by attracting and then counterattacking and killing the clones before they ever reach the bone barrow transplantation. These same Veto Cells can potentially be used to concurrently counterattack viruses such as CMV and EBT which are a common source of infections that threaten BMT patients. Based on additional preclinical data, in June of 2016 Yeda filed a U.S. provisional patent application, also licensed by Cell Source, which shows the ability of Veto Cells to be directed against these types of viruses typically cause infections in bone marrow transplant patients. This additional functionality, when combined with attacking host anti-donor rejecting cells, may even further enhance survival rates for patients.

iii. Direct Anti-Cancer Effect

HSCT are well known to be an effective treatment for hematological malignancies. Making these treatments safer and more accessible by reducing the need for harmful immune suppression, avoiding GVHD and fending off common post-transplantation viruses are expected to facilitate, through successful Veto Cell treatments, a broader and more successful use of HSCT for not only the most severe cases, but also for older or weaker patients who are not capable of tolerating high intensity conditioning (high levels of radiation and chemotherapy). This is expected to significantly increase the number of patients who can receive successful cancer treatments that require allogeneic HSCT.

A further direct anti-tumor effect of Veto Cells, which complements and bolster the effect of HSCT as described above, has been noted in mouse and in-vitro studies: donor Veto Cells selectively attack host lymphoma malignant cells. This effect has been robust in animals, in fact completely eradicating lymphoma in mouse models (See – "Development Status" section below).

The direct anti-cancer effect has been documented for several human B cell malignant lines, however, preliminary experiments with human anti-3rd party veto cells prepared in a slightly different protocol than that used for the mouse studies, indicate that further optimization and verification are required before killing fresh human B-CLL or myeloma tumor cells could become a feasible option.

If this effect transfers to human patients, it may have significant therapeutic value for the above disorders, which as noted hereafter in the Marketing Strategy section, are among the largest blood cancer markets.

iv. Enabling Third Party Cell Therapies

Based on preclinical studies using genetically modified cells, in July of 2015 Yeda filed two U.S. provisional patent applications, which are also licensed exclusively by Cell Source on a worldwide basis. These patent applications show the ability of Veto Cells to enhance the performance of cell therapy treatments involving genetically modified receptors. When combined with CAR-T or TCR cell therapy for example, these would potentially greatly enhance the ability of these treatments to be used in an allogeneic or "off-the-shelf" setting, and also increase their efficacy by avoiding both rejection and GVHD, thus increasing their persistence (survival in the patient's body).

This combined Veto Cell + CAR-T or similar treatment could result in broadly applicable effective treatments for many of the most prevalent solid tumor cancers and well as blood cell cancers.

v. In Non-Malignant Diseases

There are two major categories of non-malignant disorders that the Veto Cell technology aspires to address: organ transplantation and non-malignant hematological disorders.

In the case of organ transplantations and congenital non-malignant hematological disorders, the goal of the Veto Cells is to enable transplantation (bone marrow or organ) by reducing host/donor immune system conflicts. This could potentially allow for mismatched (partial vs. full identity match between donor and host) kidney transplants, for example, and also obviate the need for lifelong daily anti-rejection medication which is the current standard of care. Such an outcome could improve quality of life, reduce cost of care and significantly increase life expectancy for a broader audience of prospective transplant recipients.

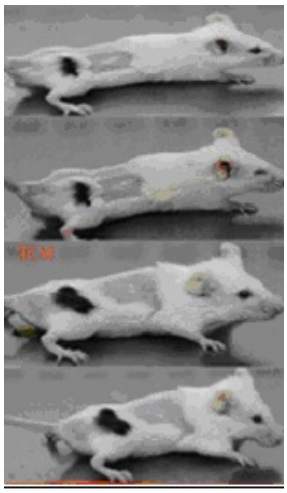
In the case of congenital non-malignant diseases such as sickle cell disease and aplastic anemia, the body's bone marrow produces "flawed" cells. An effective treatment is HSCT which replaces the flawed host bone marrow with healthy donor cells. These cells then produce healthy blood cells, basically curing the anemia. As noted elsewhere however, today HSCT is a risky procedure because of the graft/host immune conflicts. It is therefore used infrequently to treat sickle cell disease. The Veto Cell tolerizing technology would increase the target population for this treatment by significantly reducing these conflicts and by extension the procedure's risk. Likewise, if permanent tolerance to donor hematopoietic cells is induced under safe conditions, the new immune status could permit acceptance of a kidney from the same donor, without further requirement for a toxic immune suppression currently used in organ transplantation. This means that patients who today are required to take expensive and sometimes debilitating anti-rejection medication daily for the rest of their lives would no longer have to do so.

Development Status

The Veto Cell platform has been extensively tested by in vitro studies (on both human and mouse disease) and confirmed in animal trials. The results appear to be consistently effective.

1. Inducing chimerism:

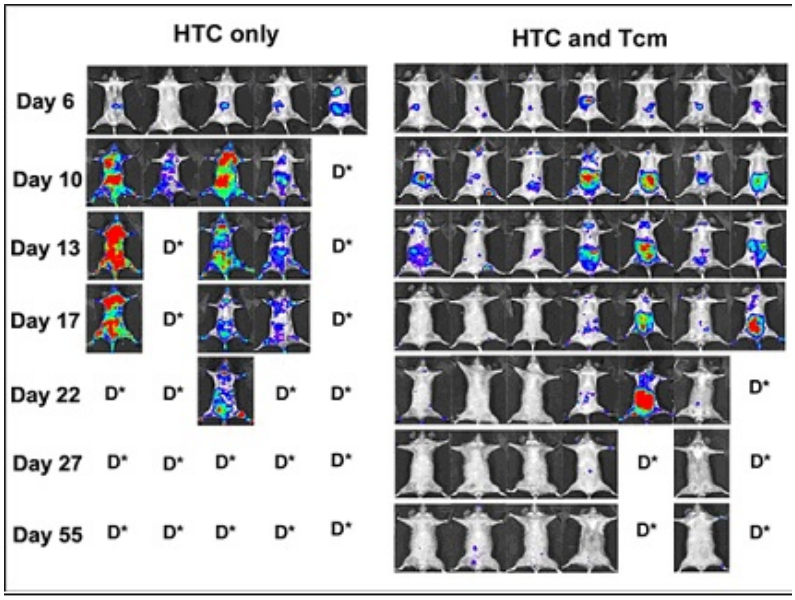
The following images show some example data from the Veto Cell animal studies. Skin of black mice has been grafted onto the backs of white mice. The data show that T-cells from host and donor mice are fully coexisting in the treatment group using the Veto Cells ("chimerism").



2. Successful bone marrow transplantation under reduced levels of immune suppression:

The anti-rejection effect in the data below shows mice with lymphoma treated with Veto Cell therapy.

The control group mice (left side) all die by day 27. By contrast, the Veto Cell treatment group (right side) show far better results.



Administration

We envision that Veto Cell therapy will be administered in an in-patient setting, typically as part of the existing preparation procedures for bone marrow transplantations. Blood will be taken from the donor. The frozen blood will be sent to a regional Company center where the Veto Cells will be developed and expanded - a process that lasts up to two weeks. The Veto Cells will then be sent to the transplantation center where they will be infused to the patient intravenously along with the transplantation.

Patent Status

The first generation Veto Cell is protected by granted patents in the US, Europe and Israel. The second generation Veto Cell has granted patents in the US, Europe, China, Israel, India and the Russian Federation. The third generation Veto Cell has various pending patents in various countries and, in various versions, has granted patents in the US, Europe, China, Japan, Hong Kong, Korea, Singapore, Mexico, South Africa, New Zealand and the Russian Federation.

Development Roadmap

The Veto Cell platform roadmap comprises two main programs as outlined in the table below. The specific clinical trials planned for each are detailed in the Clinical Trials section of this document.

Offering	Objective	Major Activities	Estimated Start Date
Anti-viral Veto Cell	Validate and introduce new commercial treatment to increase engraftment of allogeneic bone marrow transplantations	1. Regulatory approval and treatment protocols 2. Conduct human clinical trials 3. Develop plan for commercial exploitation	· Initiate a human clinical trial in the US by 2019 · Commence human trials in Europe in 2019 or 2020
Veto – CAR-T Cell Therapy	Validate the possibility of combining Veto Cell treatment with CAR-T cell treatment for both blood cell cancer and solid tumor cancer treatment	4. Collaboration with Zelig Eshhar, inventor of Car-T cells 5. Validate combined treatment model in preclinical trials	· Proof of concept in 2018 · If preclinical studies are successful , human trials would be the next step

Products and Services

Currently, we do not have any products, and there is no assurance that we will be able to develop any products.

The following products are currently planned:

1. *Anti-rejection" Veto Cell tolerance therapy for both matched and mismatched allogeneic bone marrow transplantations*.
   This is our flagship (as an initial platform for increasing transplantation success) and is focused on allogeneic bone marrow transplantations.
   Treatment will comprise a course of infusions of Veto Cells derived from the donor and processed in a Company (or subcontracted) facility that will be accessible to the transplantation center at the time of transplantation.
2. *Anti-cancer" Veto + CAR-T cell therapy for blood cell and solid tumor cancers.*
   This therapy is expected to comprise a course of infusions of donor derived cells that is expected to be combined with CAR-T cell therapy provided by a third party.
3. *Anti-rejection" Veto Cell tolerance therapy for both matched and mismatched organ transplantatio*n.
   This treatment would be combined with bone marrow transplantation in order to broaden the prospective donor pool and mitigate the need for chronic post-transplant anti-rejection therapy
4. *Veto Cell tolerance therapy for non-malignant disorders.*
   This is the application of Veto Cell technology to treatment of non-malignant (i.e., non-cancerous) diseases. As discussed in the Technology section, a custom treatment would be developed for each selected disorder.
   Target indications for Veto Cell therapy for nonmalignant disorders are likely to be: tolerizing therapy for allogeneic transplantations for sickle cell anemia and aplastic anemia (by using bone marrow transplantations as referenced in no. 2 above) and tolerizing therapy for conventional organ transplantations.

Our Overall Development Status and Future Development Program

Prior to commercializing its products, the Company must conduct human clinical trials and obtain FDA approval and/or approvals from comparable foreign regulatory authorities.

Generally speaking, as a preclinical biotechnology firm, Cell Source needs to go through several necessary steps in order to commercialize its products and commence revenue generation. These steps are per product, but can run in parallel for multiple products, which are each in different stages of the development "pipeline", so that, for example, when a certain product is already in a human clinical trial, another product may still be in preclinical development and a third may be awaiting regulatory approval to commence human trials. These can also take place in parallel, and varied stages, for the same product in different geographic jurisdictions. The typical steps per product (and range of time frame for each) are:

1) Complete development of human treatment protocol (2-5 years)
2) Apply for and receive approval to commence human trials (9-18 months)
3) Recruit patients (1-6 months)
4) Conduct Phase I trials showing safety of product (1-2 years)
5) Apply for and receive approval to conduct trials showing product efficacy (6-12 months)
6) Data collecting and analysis (6-12 months)
7) Conduct Phase II efficacy trials (2-3 years)
8) Data collecting and analysis (6-12 months)
9) Apply for and receive approval to conduct trials showing efficacy in larger numbers of patients (6-12 months)
10) Conduct Phase III efficacy trials with larger numbers of patients (2-4 years)
11) Data collecting and analysis (6-12 months)
12) Apply for and receive approval for production scale manufacturing facilities (6-12 months)
13) Contract third party or establish own production facilities (6-30 months)
14) Contract third party or establish own distribution platform (6-18 months)
15) Commence manufacturing and distribution (6-12 months)

Notably, steps 12-15 can be conducted in parallel with some of the steps above. In the case of Cell Source and other firms that treat terminal patients with either rare diseases or those for which there is currently no effective treatment, or where preclinical studies indicate a reasonable expectation to increase life expectancy and survival rates by a substantive margin, several of these steps can be combined and or shortened, subject to regulatory discretion. For example, Phase I and II (safety and efficacy) can be combined in a single concurrent step; approvals for subsequent steps can be accelerated; in some countries patients can already be treated commercially after the end of Phase II, foregoing the requirement for Phase III data.

The specific detailed next steps the company must take to get the treatments or products to market include the following:

In the case of the Megadose Drug Combination, the Hematology and Bone Marrow Transplantation Unit of the University of Parma in Italy on May 14, 2014 requested and on October 23, 2014 obtained approval from the Italian Medicine Association (the Italian equivalent of the U.S. FDA) to conduct human clinical trials using the "Megadose + Drug Combination." While we are not mentioned in the application nor in the approval, we may indirectly benefit from the outcome of the trial, if successful, although we are not the sponsor of this trial. There are no written or verbal agreements between the hospital and Cell Source regarding the use of the technology. That said, Cell Source is aware and in favor of the hospital plans to use the technology and would of course find a positive initial outcome encouraging. Since the treatment is being done on compassionate grounds as a non-commercial clinical trial, there is no legal requirement for the hospital to obtain approval to use the treatment protocol. The hospital has successfully treated the first cancer patient using the Megadose Drug Combination technology that Cell Source exclusively licenses from Yeda Research & Development Ltd., commercial arm of the Weizmann Institute of Science. The patient who was suffering from late stage multiple myeloma, was released from hospital within a month of being treated and has since been cancer free for over two years, with no GVHD, as initially reported in *Blood Advances*, vol. 1 no. 24 2166-2175 which was published online October 27, 2017.

While Cell Source is not a sponsor of the trial, the results provide a positive initial indication with respect to the technology. The patient received a bone marrow transplantation from a haploidentical or "mismatched" donor under a reduced intensity conditioning regimen (i.e., a relatively low level of immune suppression treatment). There was successful initial engraftment of the transplantation in the absence of GVHD. To date, we have not submitted any drug applications to the FDA and do not have anything pending for approval with the FDA. Cell Source itself has not had any contact with any regulator anywhere regarding treatment approvals or clinical trials associated with regulatory approvals. We are aware that the aforementioned hospital in Italy has independently requested approval to conduct a trial with the same protocol that we plan to use, but we are not mentioned in the application, nor in the approval. However, we may indirectly benefit from the outcome of the trial, if successful, although we are not the sponsor of this trial. There are no written or verbal agreements between the hospital and Cell Source regarding the use of the technology. That said, Cell Source is aware and in favor of the hospital plans to use the technology and would find a positive initial outcome encouraging. Since the treatment is being done on compassionate grounds as a non-commercial clinical trial, there is no legal requirement for the hospital to obtain approval to use the treatment protocol.

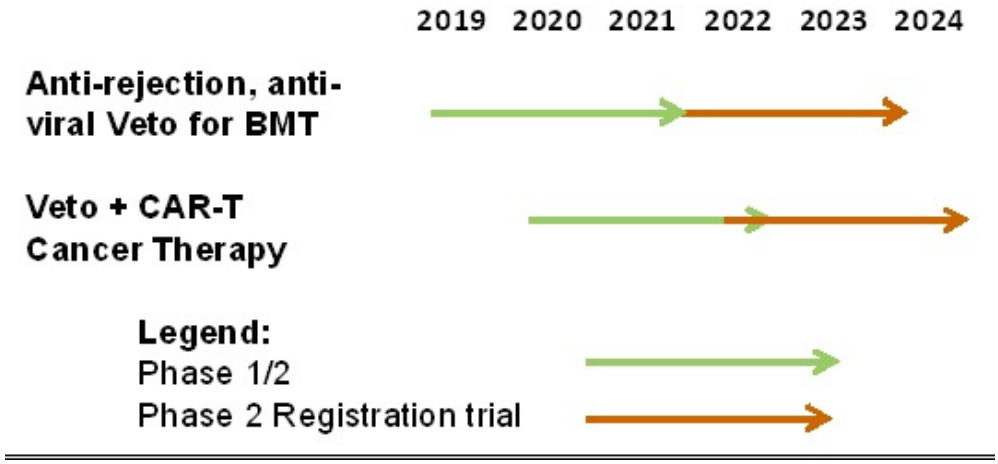
For the Veto Cell application for reducing rejection in Bone Marrow Transplants, Cell Source expects to commence Phase I/II human clinical trials in the US starting sometime in 2018 and in Europe starting in 2019. Cell Source anticipates that Phase I/II studies will last until 2020 or 2021. These would be followed by completion of Phase II and Phase III, which would last another 2-3 years each, so that full approval, if successful, would be expected sometime in 2026. In Germany there is a possibility of approval for commercial use on a "compassionate grounds" basis at the end of Phase II, which could take place by 2024. In the US, Cell Source plans to commence the IND approval process with the FDA in 2018, which could last until between 2022 and 2025. Cell Source has also entered into a collaboration with Professor Zelig Eshhar, the inventor of CAR-T cell therapy, with respect to combining CAR-T cell therapy with Veto Cell therapy and commenced a pre-clinical proof of concept trial in early 2018. If successful, this could lead to a commencement of a combined FDA trial in 2019 or 2020 and could last until 2026 or 2027.

It is possible that Cell Source treatments could qualify for any or all of Fast Track, Breakthrough Therapy, Accelerated Approval, RMAT or Priority Review designation under the FDA, which would hasten their approval if successful.

The costs for each step of development, in terms of clinical trials, are delineated below:

Cell Source estimates the cost of clinical trials alone to be up to $5 million over the coming two years and another $25-50 million in order to reach commercialization for the Veto Cell products. This would mean that Cell Source will need to secure one or more significant capital infusions in order to reach the point that meaningful revenues could be generated.

The following table summarizes the development plan through 2024:



Competition

The development and commercialization of new cell therapies is highly competitive. Our products are focused on treatment of blood cancers, non-malignant blood disorders and organ transplantations. Various products are currently marketed for the treatment of blood cancers. A number of companies are also developing new treatments. In addition to competition from a variety of other nascent unconventional medical treatments, we also face competition from established pharmaceutical and biotechnology companies, as well as from academic institutions, government agencies and private and public research institutions worldwide. For instance, our competitors include the technology developed by Kiadis Pharma, MolMed and Bellicum Pharmaceuticals for facilitating haploidentical HSCT with reduced incidence of GVHD. All three of these are using high intensity conditioning and are therefore less safe than the reduced intensity conditioning Cell Source plans to provide, and also all are still showing, while reduced, marked incidence of both acute and chronic GVHD, whereas Cell Source plans to virtually eliminate GVHD for HSCT patients. A number of companies are developing alternative approaches for addressing allogeneic BMT including umbilical cord blood solutions (e.g. Gamida Cell), treatment of post-transplant GVHD (e.g. Mesoblast). Cell Source believes that its all-in-one solution for addressing engraftment, GVHD and viruses as well as inbuilt additional anti-tumor effect will provide, once successful in trials, an attractive alternative for physicians as the safety associated with a reduced intensity conditioning regimen combined with the compound benefits addressing major HSCT patient issues can provide a compelling treatment approach for a broad set of patients who require allogeneic HSCT.

In the area of Chimeric Antigen Receptor (CAR) technology, both Novartis and Kite Pharma (now part of Gilead Sciences), have received FDA approval for their lead treatment candidates. JUNO Therapeutics (now part of Celgene) Inc. and Bluebird Bio (in collaboration with Celgene) are currently in human trials for Car-T cell therapy. The success of their patient treatments to date has chiefly been confined to treatment hematological malignancies using he patent's own cells. This autologous treatment approach brings with it both high costs (Novartis' Kymriah at $475,000 per treatment; Gilead (KITE) Yescarta at $373,000 per treatment) as well as quality and safety issues. While some companies (e.g. Cellectis – in partnership with Servier and Pfizer) have presented allogeneic CAR-T data, there has been very limited success in this area thus far. A number of companies, including Celyad, Ziopharm, are actively in development of potential off-the-shelf CAR-T cancer therapy solutions. Others are working on TCR, NK and other genetically modified cell structures for allogeneic cancer treatment.

Cell Source plans to offer allogenic CAR-T with lower costs and better safety outcomes than the currently approved products, and aspires to compete with product that are currently under development but combining increased persistence with enhanced efficacy using Veto Cell technology to overcome rejection of CAR-T cells and avoid GVHD.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Earlier stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. While our commercial opportunities may be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects or are less expensive than our own products, we believe that if our human trials show efficacy at the same levels of our animal trials, we would have the potential to develop at least a niche market share. Also, a number of large US cancer centers such as Johns Hopkins in Baltimore, Fred Hutchinson in Seattle, City of Hope in Duarte, California and Dana Farber in Boston are conducting clinical trials and providing treatments on a compassionate care basis that can be funded on a not for profit basis and provide competition to Cell Source.

We expect that our ability to compete effectively will depend upon our capacity to:

- successfully complete adequate and well-controlled clinical trials that demonstrate statistically significant safety and efficacy and to obtain all requisite regulatory approvals in a timely and cost-effective manner;
- effectively use patents and possibly exclusive partnership agreements with important third party treatment providers and collaborations partners to maintain a stable competitive stance for our Technology;
- attract and retain appropriate clinical and commercial personnel and service providers; and
- establish adequate distribution relationships for our products.

Failure in efficiently developing and executing these capabilities may have an adverse effect on our business, financial condition or results of operations.

Strategy Overview

Our strategy is based on two underlying drivers: (a) that animal studies show Veto Cell technology to be consistently effective and have advantages over competitors; and (b) that the lead indications (the most common blood cancers) are relatively common, have high mortality and have limited treatment options today.

Based on the foregoing drivers, we have developed a business plan with the objective of obtaining regulatory approvals and subsequently launching product sales with a focus on the United States, Europe and Asia.

Key Strategy Elements

We are pursuing a staged entry strategy. The first several years will be narrowly focused, both in terms of market segments (Blood cancer either directly in combination with CAR-T cell therapy or through bone marrow transplantation) and products (Veto Cell for HSCT and CAR-T + Veto for direct cancer treatment).

Subsequently, we plan to broaden the segmentation strategy to include additional bone marrow transplantation indications, major organ transplants combined with HSCT, selected genetic non-malignant diseases and, by combining Veto Cells with CAR-T cell therapy, solid tumor cancers.

Our strategy can be summarized as follows:

Strategy Element	Introductory period (years 1 -3 post FDA approval)	Years 4+
Market Segments	· Lymphoma and Leukemia · Solid tumors e.g. breast cancer.	· Same as before plus broader set of solid tumor targets, kidney and liver failure, sickle cell anemia beta thalassemia and other non-malignant hematological disorders;
Product Rollout	· Veto Cell therapy for B-cell malignancies · Veto+CAR-T Veto Cell therapy for both blood cell and solid tumor cancers	· Veto Cell tolerizing treatment for HSCT and organ transplantation · Veto Cell therapy for cancer and non-malignant disorders;
Customer/ Geographic Focus	· North America · Western Europe · China	· North America, Western & Eastern Europe, Australia/New Zealand, Russia, Brazil, selected Asian markets
Channels/Go to Market	· Direct relationships with leading transplantation centers · International production and distribution through partners	· Partnership with global market leaders
Pricing	· Consistent with other cell therapy offerings currently associated with transplantations and immuno-oncology	· Potentially higher volume, lower cost for “off the shelf” offerings
Operations	· Three production centers: - US - Western Europe - Far East · Initial capacity leased from major transplantation centers.	· Regional production centers owned or JV with partners

Segment Selection

Within the general market for immune therapies, we have selected target market segments (i.e., medical conditions) for initial focus based on two (2) key criteria:

1) Severity of unmet medical need: degree of severity of the indication and the effectiveness of existing treatments. These criteria help determine the proper regulatory pathway.
2) Technology relevance: relative value of the ability to manage immune response to the treatment of a given indication.

We will initially focus on indications that score highly with respect to both criteria (e.g., Multiple Myeloma, AML). These conditions may qualify for Fast Track status with the FDA, and, due to the cost of current treatment alternatives, could potentially support profitable price points for effective new treatments.

Product Rollout

Cell Source plans to seek approval initially in the US and Europe and, in parallel but with a delayed start, in China and possibly Taiwan. A successful parallel Phase I/II trial in the US and Europe, which could be concluded by 2020, would serve as a strong foundation for trials in other countries. Limited sales on a “compassionate grounds” basis may commence as early as 2022 in Europe and Asia, and, depending on qualification for Breakthrough Therapy or other Accelerated Approval designation, may be available in the U.S. by 2024. Full approval by the FDA in the U.S. can take as long as 8 years, or 2026.

Future products may include Veto Cell tolerance inducement therapy for allogeneic bone marrow transplantations and Veto + CAR-T cell therapy for lymphoma, leukemia and solid tumor cancers.

Following the initial market penetration and establishment of solid market positioning, we plan to broaden the product offering to address a wider variety of indications which may include custom Veto Cell developments for specific collaborations with other cell therapy treatments. For example, we believe that one area in which we could broaden our product offerings is to utilize our Veto Cell technology, if successful in humans, to address the rejection problems being faced by companies developing NK, TCR and similar cell therapy products, as an enabler for these treatments to help them overcome some of the rejection and persistence related performance issues their technology currently seems to be facing. If our Veto Cell technology proves to be successful in humans, we plan to continue to explore such potential applications in the future.

Customer/Geographic Focus

Assuming positive clinical trials, we will initially focus our sales efforts of Veto Cell anti-rejection therapy on centers dealing with late stage B-cell malignancies. High profile, high volume HSCT facilities can be targeted to market this treatment.

Current plans are to introduce the products first in North America and Western Europe, and, perhaps concurrently, in China. Focusing on key transplantation facilities in target geographic markets will allow us to both refine the administration of our products and bolster our reputation in respective markets.

After the introductory period, we plan to expand its activities in our initial markets while simultaneously broadening geographic coverage. In Stage 2, we plan to initiate active marketing efforts in the remaining Western European countries, Japan, Australia, Eastern Europe, Russia and Brazil.

Marketing Strategy

The initial target market is concentrated and networked. It comprises the approximately 40 leading transplantation centers in the target geographies. As discussed in the “Market Access” and “Channels” section, these centers are well connected to each other and tend to quickly share innovations and best practices.

The planned penetration strategy is to introduce Veto Cell into the best-known and most influential centers in North America and Western Europe, and benefit from the exposure and industry leadership provided by these centers.

This initial penetration strategy includes incorporating these centers into the clinical trials so as to expose and involve their medical leadership.

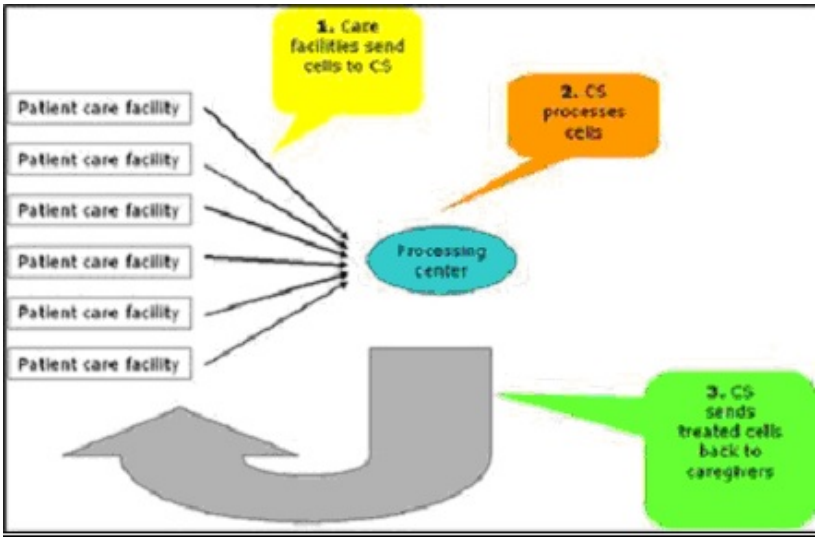
In the longer term, we plan to drive use and awareness within and across the broader oncology community in order to encourage oncologists to refer their patients to centers that already use our products and therapies and to encourage pull-influence on additional centers to adopt our products and therapies.

The broader provider community will be addressed by attending conventions where research and best clinical practices are shared, seminars are conducted, and networking opportunities are provided for the physicians.

Operating Strategy

Veto Cell doses are to be prepared by Cell Source facilities or qualified production partners. This is to both protect trade-secrets and directly control quality during the initial stages.

The graphic below outlines the general operating model in each geographic market.



Patient care facilities send frozen cells to a Cell Source processing center. Most likely, the first processing center will consist of lab space leased from or adjacent to a large transplantation center. Such a transplantation center has appropriate equipment and infrastructure, along with available production capacity, and will also represent an immediate market for our offerings for use in their own procedures. The Cell Source processing center processes the cells and sends the treated cells and appropriate protocols back to the caregiver for infusion at time of transplantation.

In the introductory period, we plan on establishing one center in the U.S., one in Western Europe (most likely Germany), and one in the Far East. Specific locations and timing are to be determined. Initially, we plan to outsource production capacity from existing facilities operated by Contract Manufacturing Organizations adjacent to large hospitals, or, where capacity is available, contract directly with major cancer treatment centers who have accredited GMP facilities and experienced cell production staff for Veto Cell production. Subsequently, sales from these centers can justify and fund stand-alone facilities.

The general goal of the initial centers is to support the FDA process, provide full coverage for the North American and European markets, and provide access to the Chinese market. Following the introductory period in each respective market, we may elect to migrate the production facilities from leased space in transplantation center laboratories to company-owned stand-alone facilities.

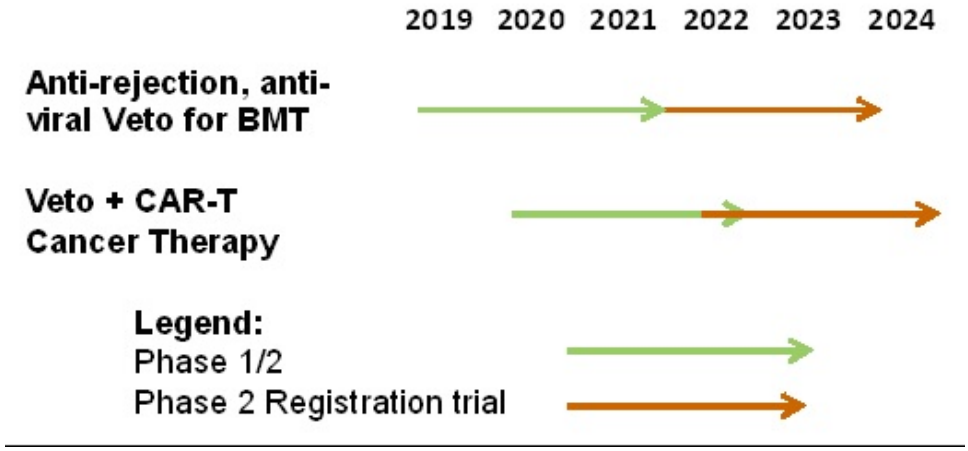
In general, we assume a capital cost per stand-alone production facility of $8 million. This estimate is based, in part, on the projected high costs of GMP “clean rooms,” each of which can cost $1 million to set up. We will need to obtain financing in order to fund the setup of such facilities. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all.

Clinical Trials Overview

We will initially focus our clinical trials on bone marrow transplantation for patients suffering from certain lymphomas and leukemias, for which our Veto Cell technology constitutes a potential breakthrough. These two indications have unmet needs as evidenced by the valuations of leading CAR-T players who thus far have chiefly presented data treating these diseases.

We aspire to initiate a company-sponsored Phase 1/2 clinical trials by the end of 2018. These trials combine traditional Phase 1 safety trials with Phase 2 efficacy trials inasmuch as they are safety trials conducted on sick patients, so they are able to both establish safety and show initial indications of efficacy concurrently. The goal is to demonstrate safety and initial efficacy in several indications. Management has structured the trials such that an additional goal of showing initial markers pointing to prolonging progression-free survival may be possible already within Phase 1/2.

The chart below provides an overview of the current trials plan, which can of course vary based on both finalization of human protocols and timing or regulatory approvals:



Trial Plans

Trials are planned for the US and Europe. Multiple trials are planned on at least 24 patients. Patients are expected to be age 50 and older. The conditions chosen are ones which are associated with high mortality in this patient age-group today. This means that we may obtain a limited scope of patient reimbursement from government insurance in Europe on compassionate grounds for the treatment of said age group upon successful completion of Phase 2 trials. We plan to focus on mismatched bone marrow transplantation under reduced intensity conditioning (reduced levels of immune suppression treatment) for B-cell malignancies. We are currently conducting preclinical trials for Veto + CAR-T cell therapy, working with Zelig Eshhar, the inventor of CAR-T technology. Once we complete a proof of concept, we plan to develop our own independent CAR-T cells and launch a clinical trial for blood cell cancer. Subsequently, we would launch a trial for solid tumor patients.

Regulatory Issues Overview

We are seeking regulatory approval from the U.S. FDA, the European Medicines Agency ("EMA") in Europe and similar agencies elsewhere to both produce and sell our products.

We are targeting approval for the production of Anti-Rejection, Anti-viral Veto Cells in both the United States and Germany by the end of 2018. We plan to commence human clinical trials for this, our lead product candidate, in the US in 2018 and in Germany in 2019.

Regulatory Process and Expectations

We have developed and will continue to develop our clinical trial protocols with the support of highly experienced medical practitioners who have vast experience in working with their local regulators.

The clinical trials outlined in the previous section are designed to lead to regulatory approval for Veto Cell-based therapy in treating blood cancers and stem cell transplantation applications and, thereafter, solid organ transplantations and solid tumor cancers .

Interim Revenue Opportunities

While our focus is to conclude Phase 3 approval for cancer treatments, the Company is also exploring complementary shorter term opportunities for generating revenue before additional FDA approvals are received, namely:

1) Treating patients after the end of Phase 2 (with either partial or full insurance reimbursement available); and
2) Potential upfront and milestone driven licensing revenues from collaborations with third parties.

Intellectual Property

Pursuant to the Yeda License Agreement, Yeda granted the Company an exclusive license to certain patents, discoveries, inventions and other intellectual property generated (together with others) by Professor Yair Reisner at the Immunology Department at the Weizmann Institute. Under the Yeda License Agreement, The Company grants Yeda a 4% royalty on sales of patented products. Currently, the Company voluntarily funds research (on its own behalf) at the Weizmann Institute for the preclinical development of its products, and plans to do so through June 2019. Should the Company elect to curtail such funding, it would have to pay a $50,000 annual license fee until such times as payment of royalties commences. The Yeda License Agreement also requires the Company to proceed with the development of the technologies on a timely basis.

The license period (per product, per country) is for the full life of the patents, and expires at the later of the patent expiration date in that country or 15 years after the date that the FDA or local equivalent regulatory authority in each country approves that particular product for sale in that country. As long as Cell Source sponsors research or pays either a nominal license fee of $50,000 per year (total for use of all the products) or pays royalties on product sales on at least one product as per the license agreement, the license will remain in effect continuously and expire only with the expiration of the patent or 15 years after regulatory approval (later of the two) per product per country as described above. Cell Source voluntarily sponsors Research at the Weizmann Institute for the sake of developing its products and treatments from initial invention through to finalization of human treatment protocols. Cell Source has recently extended the research period, which was scheduled to have been terminated in October of 2018, through June of 2019.

Also under the Yeda License Agreement, the Company agreed to fund Yeda's research until October 3, 2018, with an aggregate annual payment of $800,000 paid in quarterly $200,000 installments. In March 2018, the License Agreement was amended to reduce the Company's funding obligation for the period from October 2017 through September 2018 to $500,000 and $100,000 for the period from October 2018 through June 2019. In addition, the License Agreement was amended to provide that the Company will fund an additional $100,000 of research during 2018 and the Company's obligation to fund the original research was reduced by $50,000. The Company funded the additional $100,000 of additional research in April 2018 and $50,000 is being credited against the amount that would otherwise be funded by the Company for the period from July 2018 through September 2018. After giving effect to these amendments and this credit, the Company is required to fund $100,000 for the three month period ending June 30, 2018, $50,000 for the three month period ending December 2018, $25,000 for the three month period ending March 2019 and $25,000 for the three month period ending June 2019.

If the Company fails to achieve any one of the milestones set forth in the Yeda License Agreement (as per the current amended version) which are listed below, then Yeda will be entitled to (i) modify the related license such that it will become non-exclusive or (ii) terminate the Yeda License Agreement upon thirty (30) days written notice:

a. by January 1, 2022, to have commenced Phase II clinical trials in a respect of a Product;
b. by January 1, 2025, to have either ommnenced Phase III clinical trials or to have received FDA or EMA marketing approval in a respect of a Product ("Marketing Approval");
c. within 12 (twelve) months from the date of Marketing Approval, to have made a First Commercial Sale of a Product; or
d. in case commercial sale of any Product having commenced, there shall be a period of 12 (twelve) months or more during which no sales of any Product shall take place by the Company or its Sublicensees (except as a result of force majeure or other factors beyond the control of the Company)."

Additionally, the Yeda License Agreement also provides that:

- **Title.** All right, title and interest in and to the Licensed Information and the Patents (as those terms are defined in the Yeda License Agreement) and all right, title and interest in and to any drawings, plans, diagrams, specifications, other documents, models, or any other physical matter in any way containing, representing or embodying any of the foregoing, vest and shall vest in Yeda and subject to the license granted in the Yeda License Agreement.
- **Patents.** Both Yeda and the Company shall consult with one another on the filing of patent applications for any portion of Licensed Information and/or corresponding to patent application existing at the time the Yeda License Agreement was executed. Yeda shall retain outside patent counsel that will be approved by Cell Source, to prepare, file and prosecute patent applications. All applications will be filed in Yeda's name.
- **Patents; Patent Infringements.** Where the Company determines that a third party is infringing one or more of the Patents or is sued, in prosecuting or defending such litigation, the Company must pay any expenses or costs or other liabilities incurred in connection with such litigation (including attorney's fees, costs and other sums awarded to the counterparty in such action). The Company agreed to indemnify Yeda against any such expenses or costs or other liabilities.
- **License.** With regard to the expiration of Patents, a Product is deemed to be covered by a Patent so long as such Product is protected by "Orphan Drug" status (or the like). The Company has an exclusive worldwide license under the Licensed Information and the Patents for the development, manufacture and sales of the Products. License remains in force in each country with respect to each Product until the later of (i) the expiration of the last Patent in such country covering such Product or (ii) the expiration of a 15-year period commencing the day FDA New Drug Approval is received for a Product in such country.

The Company may grant a Sublicense only with the prior written consent of Yeda, which shall not be withheld unreasonably provided that:

i. the proposed Sublicense is for monetary consideration only;
ii. the proposed Sublicense is to be granted in a bona fide arm's length commercial transaction;
iii. a copy of the agreement granting the Sublicense and all amendments thereof shall be made available to Yeda, 14 days before their execution and Cell Source shall submit to Yeda copies of all such Sublicenses and all amendments thereof promptly upon execution thereof; and
iv. the proposed Sublicense is made by written agreement, the provisions of which are consistent with the terms of the License and contain, inter alia, the following terms and conditions, including: the Sublicense shall expire automatically on the termination of the License for any reason.

However, Yeda's prior written consent is not needed if the sublicense is limited to China, and the Company grants it to a Chinese affiliated entity of the Company.

· **Termination.** The Yeda License Agreement terminates on the later of: (i) the expiration of the last of the Patents or (ii) the expiry of a continuous period of 20 years during which there shall not have been a First commercial sale of any product in any country. Yeda may terminate by written notice, effective immediately, if the Company challenges the validity of any of the Patents. If a challenge is unsuccessful, then in addition to Yeda's right to termination, the Company shall pay to Yeda liquidated damages in the amount of $8,000,000. Either the Company or Yeda may terminate the Yeda License Agreement and the License by serving a written notice upon (i) occurrence of a material breach or (ii) the granting of a winding-up order. Additionally, Yeda may terminate for failure to reimburse Yeda for patent application and/or prosecution expenses.

Our technology portfolio includes a patented platform termed "Veto Cell" (more formally described as "Anti 3rd party central memory T cell"), which is an immune tolerance biotechnology that enables the selective blocking of immune responses. For a list of all the patents and pending patents that Yeda holds and which we have a license to use, please refer to the table in the section entitled "*Science and Technology Overview*" above.

Patents & Proprietary Rights

Our success will depend in part on our ability to protect our existing product candidates and the products we acquire or license by obtaining and maintaining a strong proprietary position. To develop and maintain our position, we intend to continue relying upon patent protection, orphan drug status, Hatch-Waxman exclusivity, trade secrets, know-how, continuing technological innovations and licensing opportunities. We intend to seek patent protection whenever available for any products or product candidates and related technology we acquire in the future.

We may also seek orphan drug status whenever it is available. If a product which has an orphan drug designation subsequently receives the first regulatory approval for the indication for which it has such designation, the product is entitled to orphan exclusivity, meaning that the applicable regulatory authority may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for a period of seven years in the U.S. and Canada, and 10 years in the EU. Orphan drug designation does not prevent competitors from developing or marketing different drugs for the same indication or the same drug for a different clinical indication.

It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information made known to the individual during the course of the individual's relationship with us is to be kept confidential and may not be disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual shall be our exclusive property.

Government Regulation and Product Approval

We have not submitted any drug applications to the FDA and do not have anything pending for approval with the FDA. Cell Source itself has not had any contact with any regulator anywhere regarding treatment approvals or clinical trials associated with regulatory approvals. We are aware that a hospital in Italy has independently requested and received approval to conduct a trial with the same protocol that we plan to use, but we are not mentioned in the application nor in the approval. However, we may indirectly benefit from the outcome of the trial, if successful, although we are not the sponsor of this trial. There are no written or verbal agreements between the hospital and Cell Source regarding the use of the technology. That said, Cell Source is aware and in favor of the hospital plans to use the technology and would find a positive initial outcome encouraging. Since the treatment is being done on compassionate grounds as a non-commercial clinical trial, there is no legal requirement for the hospital to obtain approval to use the treatment protocol.

Cell Source plans to apply for approval for human clinical trials in 2018 to show initial safety, and possibly efficacy, results in Europe and the US. As of the date of this filing, the Company has had no contact with any regulator regarding such approvals.

Regulation by governmental authorities in the U.S. and other countries is a significant factor, affecting the cost and time of our research and product development activities, and will be a significant factor in the manufacture and marketing of any approved products. All of our products require regulatory approval by governmental agencies prior to commercialization. In particular, our products are subject to rigorous pre-clinical and clinical testing and other approval requirements by the FDA and similar regulatory authorities in other countries. Various statutes and regulations also govern or influence the manufacturing, safety, reporting, labeling, transport and storage, record keeping and marketing of our products. The lengthy process of seeking these approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, the necessary regulatory approvals could harm our business.

The regulatory requirements relating to the testing, manufacturing and marketing of our products may change from time to time and this may impact our ability to conduct clinical trials and the ability of independent investigators to conduct their own research with support from us.

The clinical development, manufacturing and marketing of our products are subject to regulation by various authorities in the U.S., the EU and other countries, including, in the U.S., the FDA, in Canada, Health Canada, and, in the EU, the EMEA. The Federal Food, Drug, and Cosmetic Act, the Public Health Service Act in the U.S. and numerous directives, regulations, local laws and guidelines in Canada and the EU and elsewhere govern the testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising and promotion of our products. Product development and approval within these regulatory frameworks takes a number of years and involves the expenditure of substantial resources.

Regulatory approval will be required in all the major markets in which we seek to develop our products. At a minimum, approval requires the generation and evaluation of data relating to the quality, safety, and efficacy of an investigational product for its proposed use. The specific types of data required and the regulations relating to this data will differ depending on the territory, the treatment candidate involved, the proposed indication and the stage of development.

In general, new cell compositions are tested in animals until adequate evidence of safety is established to support the proposed clinical study protocol designs. Clinical trials for new products are typically conducted in three sequential phases that may overlap. In Phase I, the initial introduction of the pharmaceutical into either healthy human volunteers or patients with the disease (typically 20 to 50 subjects), the emphasis is on testing for safety (adverse effects), dosage tolerance, metabolism, distribution, excretion and clinical pharmacology. Phase II involves studies in a limited patient population (typically 50 to 200 patients) to determine the initial efficacy of the pharmaceutical for specific targeted indications, to determine dosage tolerance and optimal dosage and to identify possible adverse side effects and safety risks. Once a treatment protocol shows preliminary evidence of some efficacy and is found to have an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to more fully evaluate clinical outcomes in a larger patient population in adequate and well-controlled studies designed to yield statistically sufficient clinical data to demonstrate efficacy and safety.

In the U.S., specific pre-clinical data, manufacturing and chemical data, as described above, need to be submitted to the FDA as part of an IND application, which, unless the FDA objects, will become effective thirty (30) days following receipt by the FDA. Phase I studies in human volunteers may commence only after the application becomes effective. Prior regulatory approval for human healthy volunteer studies is also required in member states of the EU. Currently, in each member state of the EU, following successful completion of Phase I studies, data are submitted in summarized format to the applicable regulatory authority in the member state in respect of applications for the conduct of later Phase II studies. In many places in Europe, a two tiered approval system mandates approval at the regional level prior to applying for national approval. Regional approval cycle times, including multiple iterations where questions are answered and the specific details of the protocol may be fine-tuned, can last several months prior to applying to the national (federal government level) regulator. The national regulatory authorities in the EU typically have between one and three months in which to raise any objections to the proposed study, and they often have the right to extend this review period at their discretion. In the U.S., following completion of Phase I studies, further submissions to regulatory authorities are necessary in relation to Phase II and III studies to update the existing IND. Authorities may require additional data before allowing the studies to commence and could demand that the studies be discontinued at any time if there are significant safety issues. In addition to the regulatory review, a study involving human subjects has to be approved by an independent body. The exact composition and responsibilities of this body will differ from country to country. In the U.S., for example, each study will be conducted under the auspices of an independent institutional review board at each institution at which the study is conducted. This board considers among other things, the design of the study, ethical factors, the privacy of protected health information as defined under the Health Insurance Portability and Accountability Act, the safety of the human subjects and the possible liability risk for the institution. Equivalent rules to protect subjects' rights and welfare apply in each member state of the EU, where one or more independent ethics committees, which typically operate similarly to an institutional review board, will review the ethics of conducting the proposed research. These ethical review committees typically exist at the regional level, where approval is required prior to applying for national approval. Other regulatory authorities around the rest of the world have slightly differing requirements involving both the execution of clinical trials and the import/export of pharmaceutical products. It is our responsibility to ensure we conduct our business in accordance with the regulations of each relevant territory.

By leveraging existing pre-clinical and clinical data, we are seeking build upon an existing pre-clinical safety and efficacy database to accelerate our research. In addition, our focus on an end-stage population which has no current treatment options, commercialization, may result in relatively shorter approval cycle times. Approval by the FDA in this category generally has been based on objective response rates and duration of responses rather than demonstration of survival benefit. As a result, trials of drugs to treat end-stage refractory cancer indications have historically involved fewer patients and generally have been faster to complete than trials of drugs for other indications. We are aware that the FDA and other similar agencies are regularly reviewing the use of objective endpoints for commercial approval and that policy changes may impact the size of trials required for approval, timelines and expenditures significantly. The trend over the past few years has been to shorten approval cycles for terminal patients in the U.S. by employing a "fast track" approach.

In order to gain marketing approval, we must submit a dossier to the relevant authority for review, which is known in the U.S. as an NDA and in the EU as a marketing authorization application, or MAA. The format is usually specific and laid out by each authority, although in general it will include information on the quality of the chemistry, manufacturing and pharmaceutical aspects of the product as well as the non-clinical and clinical data. Once the submitted NDA is accepted for filing by the FDA, it undertakes the review process that takes ten (10) months, unless an expedited priority review is granted which takes six (6) months to complete. Approval can take several months to several years, if multiple ten (10) month review cycles are needed before final approval is obtained, if at all.

The approval process can be affected by a number of factors. The NDA may be approvable requiring additional pre-clinical, manufacturing data or clinical trials which may be requested at the end of the ten (10) month NDA review cycle, thereby delaying marketing approval until the additional data are submitted and may involve substantial unbudgeted costs. The regulatory authorities usually will conduct an inspection of relevant manufacturing facilities, and review manufacturing procedures, operating systems and personnel qualifications. In addition to obtaining approval for each product, in many cases each drug manufacturing facility must be approved. Further inspections may occur over the life of the product. An inspection of the clinical investigation sites by a competent authority may be required as part of the regulatory approval procedure. As a condition of marketing approval, the regulatory agency may require post-marketing surveillance to monitor for adverse effects or other additional studies as deemed appropriate. After approval for the initial indication, further clinical studies are usually necessary to gain approval for any additional indications. The terms of any approval, including labeling content, may be more restrictive than expected and could affect the marketability of a product.

The FDA offers a number of regulatory mechanisms that provide expedited or accelerated approval procedures for selected drugs in the indications on which we are focusing our efforts. These include accelerated approval under Subpart H of the agency's NDA approval regulations, fast track drug development procedures and priority review. At this time, we have not determined whether any of these approval procedures will apply to any of our current treatment candidates.

The U.S., E.U. and other jurisdictions may grant orphan drug designation to drugs intended to treat a "rare disease or condition," which, in the U.S., is generally a disease or condition that affects no more than 200,000 individuals. In the E.U., orphan drug designation can be granted if: the disease is life threatening or chronically debilitating and affects no more than fifty (50) in 100,000 persons in the E.U.; without incentive it is unlikely that the drug would generate sufficient return to justify the necessary investment; and no satisfactory method of treatment for the condition exists or, if it does, the new drug will provide a significant benefit to those affected by the condition. If a product that has an orphan drug designation subsequently receives the first regulatory approval for the indication for which it has such designation, the product is entitled to orphan exclusivity, meaning that the applicable regulatory authority may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for a period of seven years in the U.S. and ten (10) years in the EU. Orphan drug designation does not prevent competitors from developing or marketing different drugs for the same indication or the same drug for different indications. Orphan drug designation must be requested before submitting an NDA or MAA. After orphan drug designation is granted, the identity of the therapeutic agent and its potential orphan use are publicly disclosed. Orphan drug designation does not convey an advantage in, or shorten the duration of, the review and approval process; however, this designation provides an exemption from marketing authorization (NDA) fees.

We are also subject to numerous environmental and safety laws and regulations, including those governing the use and disposal of hazardous materials. The cost of compliance with and any violation of these regulations could have a material adverse effect on our business and results of operations. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by state and federal regulations, accidental contamination or injury from these materials may occur. Compliance with laws and regulations relating to the protection of the environment has not had a material effect on our capital expenditures or our competitive position. However, we are not able to predict the extent of government regulation, and the cost and effect thereof on our competitive position, which might result from any legislative or administrative action pertaining to environmental or safety matters.

In various countries, animal rights activism has led to either formal or informal boycotting of certain types of animal trials. As we rely on animal experiments as precursors to human trials.

Employees

Other than our Chief Executive Officer, we currently do not have full-time employees, but retain the services of independent contractors/consultants on a contract-employment basis. Our ability to manage growth effectively will require us to continue to implement and improve our management systems and to recruit and train new employees. Although we have done so in the past and expect to do so in the future, there can be no assurance that we will be able to successfully attract and retain skilled and experienced personnel. We anticipate that in the near future, other key personnel will enter into employment agreements with the Company on customary terms.

ITEM 1A. RISK FACTORS.

An investment in the Company's Common Stock involves a high degree of risk. You should carefully consider the risks described below as well as other information provided to you in this Annual Report on Form 10-K, including information in the section of this document entitled "Information Regarding Forward Looking Statements." The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Common Stock could decline, and you may lose all or part of your investment.

Risks related to our Business and our Industry

We have a limited operating history and a history of operating losses, and expect to incur significant additional operating losses.

Our planned principal operations are the development and commercialization of new cell therapy products focused on treatment of blood cancers, certain non-malignant disorders and organ transplantations and regeneration. We are currently conducting research and development activities in order to facilitate the transition of the patent technology we license from the laboratory to clinical trials. We have a limited operating history. Therefore, there is limited historical financial information upon which to base an evaluation of our performance. Our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations. We have generated net losses since we began operations, including $3,082,510 for the year ended December 31, 2017, $967,782 for the year ended December 31, 2016 and $2,504,105 for the year ended December 31, 2015. We expect to incur substantial additional net expenses over the next several years as our research, development, and commercial activities increase. The amount of future losses and when, if ever, we will achieve profitability are uncertain. Our ability to generate revenue and achieve profitability will depend on, among other things, successful completion of the preclinical and clinical development of our product candidates; obtaining necessary regulatory approvals from the U.S. Food and Drug Administration (the "FDA") and international regulatory agencies; successful manufacturing, sales, and marketing arrangements; and raising sufficient funds to finance our activities. If we are unsuccessful at some or all of these undertakings, our business, prospects, and results of operations may be materially adversely affected.

We may need to secure additional financing.

We anticipate that we will incur operating losses for the foreseeable future. Our historical cash burn rate was approximately $150,000 per month. However, we estimate that our current burn rate is approximately $191,000 per month. As of December 31, 2017, 2016 and 2015, we had cash in the amount of $371,048, $3,735 and $6,944, respectively. Based on our current resources, we will not be able to continue to operate without additional immediate funding. If we are not successful in securing additional financing, we may be required to delay significantly, reduce the scope of or eliminate one or more of our research or development programs, downsize our general and administrative infrastructure, or seek alternative measures to avoid insolvency, including arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates or products.

Our auditors have issued a "going concern" audit opinion.

Our independent auditors have indicated, in their reports on our December 31, 2017 and 2016 consolidated financial statements, that there is substantial doubt about our ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. Therefore, you should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to shareholders, in the event of liquidation.

We are an early-stage company with an unproven business strategy and may never achieve commercialization of our candidate products or profitability.

We are at an early stage of development and commercialization of our technologies and product candidates. We have not yet begun to market any products and, accordingly, have not begun to generate revenues from the commercialization of our products. Our products will require significant additional clinical testing and investment prior to commercialization. A commitment of substantial resources by ourselves and, potentially, our partners to conduct time-consuming research and clinical trials will be required if we are to complete the development of our product candidates. There can be no assurance that any of our product candidates will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed. Most of our product candidates are not expected to be commercially available for several years, if at all.

We are dependent on our collaborative partners and service providers the loss of which would hurt our business.

Our strategy is to enter into various arrangements with corporate and academic collaborators, licensors, licensees, service providers and others for the research, development, clinical testing and commercialization of our products. We intend to or have entered into agreements with academic, medical and commercial organizations to research, develop and test our products. In addition, we intend to enter into corporate partnerships to commercialize the Company's core products. There can be no assurance that such collaborations can be established on favorable terms, if at all.

Should any collaborative partner or service provider fail to appropriately research, develop, test or successfully commercialize any product to which the Company has rights, our business may be adversely affected. Failure of a collaborative partner or service provider to successfully conduct or complete their activities or to remain a viable collaborative partner or commercialize enterprise for any particular program could delay or halt the development or commercialization of any products arising out of such program. While management believes that collaborative partners and service providers will have sufficient economic motivation to continue their activities, there can be no assurance that any of these collaborations or provisions of required services will be continued or result in successfully commercialized products.

Notably, we maintain an exclusive worldwide license to certain intellectual property owned by Yeda pursuant to the Yeda License Agreement, as further discussed in the "Intellectual Property" section hereinafter. If we should default under the License Agreement, then our rights to Yeda's intellectual property would extinguish, and we would lose all rights to operate the licenses. In such an event, we would effectively cease to operate unless we re-obtained licensing with Yeda.

In addition, there can be no assurance that the collaborative research or commercialization partners will not pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases or conditions targeted by our programs.

Our ability and our collaborators' ability to sell therapeutic products will depend to a large extent upon reimbursement from health care insurance companies.

Our success may depend, in part, on the extent to which reimbursement for the costs of therapeutic products and related treatments will be available from third-party payers such as government health administration authorities, private health insurers, managed care programs, and other organizations. Over the past decade, the cost of health care has risen significantly, and there have been numerous proposals by legislators, regulators, and third-party health care payers to curb these costs. Some of these proposals have involved limitations on the amount of reimbursement for certain products. Similar federal or state health care legislation may be adopted in the future and any products that we or our collaborators seek to commercialize may not be considered cost-effective. Adequate third-party insurance coverage may not be available for us or our collaborative partners to establish and maintain price levels that are sufficient for realization of an appropriate return on investment in product development.

We do not own any patents and rely on the patents we license from Yeda Research and Development Limited.

We do not currently own any patents and only have an exclusive worldwide license to certain intellectual property owned by Yeda pursuant to a license agreement between us and Yeda. Under the license agreement with Yeda, Yeda retains ownership of the licensed patents. If we were to default under the license agreement, then our rights to Yeda's intellectual property would be extinguished and we would lose all rights to operate the license. In such an event, we would effectively cease to operate unless we re-obtained licensing with Yeda.

We are dependent on protecting our proprietary rights.

Our success and competitive position and future overall revenues will depend in part on our ability to obtain and maintain patent protection over the patents that we have an exclusive license to use for our product candidates, methods, process and other technologies to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights and to operate without infringing the proprietary rights of third parties. Although our patents and related technologies are owned by Yeda, under our exclusive license agreement, we are required to pay all patent related expenses for applications, renewals, etc., as well as any and all legal or other costs associated with the defending and protecting such proprietary rights. However, we cannot predict:

- the degree and range of protection any patents will afford us against competitors, including whether third parties will find ways to invalidate or otherwise circumvent the patents that we license;
- whether or not others will obtain patents claiming aspects similar to those covered by the patents that we license; or
- whether we will need to initiate litigation or administrative proceedings, which may be costly whether we win or lose.

For a complete list of the patents that we license from Yeda, please see the section entitled "*Science and Technology Overview*" of this Annual Report on Form 10-K.

We may be required to obtain licenses from third parties to avoid infringing patents or other proprietary rights. No assurance can be given that any licenses required under any such patents or proprietary rights would be made available, if at all, on terms we find acceptable. If we do not obtain such licenses, we could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited.

A number of pharmaceutical, biopharmaceutical and biotechnology companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to or affect our business. Some of these technologies, applications or patents may conflict with our technologies or patent applications. Such conflict could limit the scope of the patents, if any, that we may be able to obtain. Such conflict may also result in the denial of our patent applications. In addition, if patents that cover our activities are issued to other companies, there can be no assurance that we would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If we do not obtain such licenses, we could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In addition, we could incur substantial costs in defending ourselves in suits brought against us on patents that our products might infringe or in filing suits against others to have such patents declared invalid.

Patent applications in the U.S. are maintained in secrecy and not published if either: i) the application is a provisional application or, ii) the application is filed and we request no publication, and certify that the invention disclosed "has not and will not" be the subject of a published foreign application. Otherwise, U.S. applications or foreign counterparts, if any, publish 18 months after the priority application has been filed. Since publication of discoveries in the scientific or patent literature often lag behind actual discoveries, we cannot be certain that we or any licensor were the first creator of inventions covered by pending patent applications or that we or such licensor was the first to file patent applications for such inventions. Moreover, we might have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to us, even if the eventual outcome were favorable to us. There can be no assurance that our patents, if issued, would be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

Much of our know-how and technology may not be patentable. To protect our rights, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance, however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Further, our business may be adversely affected by competitors who independently develop competing technologies, especially if we obtain no, or only narrow, patent protection.

We are subject to various government regulations.

The manufacture and sale of human therapeutic and diagnostic products in the U.S., Canada and foreign jurisdictions are governed by a variety of statutes and regulations. These laws require approval of manufacturing facilities, controlled research and testing of products and government review and approval of a submission containing manufacturing, preclinical and clinical data in order to obtain marketing approval based on establishing the safety and efficacy of the product for each use sought, including adherence to current Good Manufacturing Practice (or cGMP) during production and storage, and control of marketing activities, including advertising and labeling.

The products we are currently developing will require significant development, preclinical and clinical testing and investment of substantial funds prior to their commercialization. The process of obtaining required approvals can be costly and time-consuming, and there can be no assurance that future products will be successfully developed and will prove to be safe and effective in clinical trials or receive applicable regulatory approvals. Markets other than the U.S. and Canada have similar restrictions. Potential investors and shareholders should be aware of the risks, problems, delays, expenses and difficulties which we may encounter in view of the extensive regulatory environment which controls our business.

We may become subject to increased government regulation.

Increased government regulation could: (i) reduce our revenues; (ii) increase our operating expenses; and (iii) expose us to significant liabilities. We cannot be sure what effect any future material noncompliance by us with any future laws and regulations or any material changes in current laws and regulations could have on our business, operating results and financial condition.

If we are unable to keep up with rapid technological changes in our field or compete effectively, we will be unable to operate profitably.

We are engaged in a rapidly changing field. Other products and therapies that will compete directly with the products that we are seeking to develop and market currently exist or are being developed. Competition from fully integrated pharmaceutical companies and more established biotechnology companies is intense and is expected to increase. Most of these companies have significantly greater financial resources and expertise in discovery and development, manufacturing, preclinical and clinical testing, obtaining regulatory approvals and marketing than us. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and established biopharmaceutical or biotechnology companies. Many of these competitors have significant products that have been approved or are in development and operate large, well-funded discovery and development programs. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for therapeutic products and clinical development and marketing. These companies and institutions compete with us in recruiting and retaining highly qualified scientific and management personnel. In addition to the above factors, we will face competition based on product efficacy and safety, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. There is no assurance that our competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization, than our own.

Other companies may succeed in developing products earlier than ourselves, obtaining Health Canada, European Medicines Agency (the "EMEA") and FDA approvals for such products more rapidly than we will, or in developing products that are more effective than products we propose to develop. While we will seek to expand our technological capabilities in order to remain competitive, there can be no assurance that research and development by others will not render our technology or products obsolete or non-competitive or result in treatments or cures superior to any therapy we develop, or that any therapy we develop will be preferred to any existing or newly developed technologies.

Clinical trials for our product candidates are expensive and time consuming, and their outcome is uncertain.

The process of obtaining and maintaining regulatory approvals for new therapeutic products is expensive, lengthy and uncertain. Costs and timing of clinical trials may vary significantly over the life of a project owing to any or all of the following non-exclusive reasons:

- the duration of the clinical trial;
- the number of sites included in the trials;
- the countries in which the trial is conducted;
- the length of time required and ability to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- per patient trial costs;
- third party contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner;
- our final product candidates having different properties in humans than in laboratory testing;
- the need to suspend or terminate our clinical trials;
- insufficient or inadequate supply of quality of necessary materials to conduct our trials;
- potential additional safety monitoring, or other conditions required by FDA or comparable foreign regulatory authorities regarding the scope or design of our clinical trials, or other studies requested by regulatory agencies;
- problems engaging institutional review boards ("IRB") to oversee trials or in obtaining and maintaining IRB approval of studies;
- the duration of patient follow-up;
- the efficacy and safety profile of a product candidate;
- the costs and timing of obtaining regulatory approvals; and
- the costs involved in enforcing or defending patent claims or other intellectual property rights.

Late stage clinical trials are especially expensive, typically requiring tens of millions of dollars, and take years to reach their outcomes. Such outcomes often fail to reproduce the results of earlier trials. It is often necessary to conduct multiple late stage trials, including multiple Phase III trials, in order to obtain sufficient results to support product approval, which further increases the expense. Sometimes trials are further complicated by changes in requirements while the trials are under way (for example, when the standard of care changes for the disease that is being studied in the trial). Accordingly, any of our current or future product candidates could take a significantly longer time to gain regulatory approval than we expect, or may never gain approval, either of which could delay or stop the commercialization of our product candidates.

We may be required to suspend or discontinue clinical trials due to unexpected side effects or other safety risks that could preclude approval of our product candidates.

Our clinical trials may be suspended at any time for a number of reasons. For example, we may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable risk to the clinical trial patients. In addition, the FDA or other regulatory agencies may order the temporary or permanent discontinuation of our clinical trials at any time if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements or that they present an unacceptable safety risk to the clinical trial patients.

Administering any product candidate to humans may produce undesirable side effects. These side effects could interrupt, delay or halt clinical trials of our product candidates and could result in the FDA or other regulatory authorities denying further development or approval of our product candidates for any or all targeted indications. Ultimately, some or all of our product candidates may prove to be unsafe for human use. Moreover, we could be subject to significant liability if any volunteer or patient suffers, or appears to suffer, adverse health effects as a result of participating in our clinical trials.

We may not receive regulatory approvals for our product candidates or there may be a delay in obtaining such approvals.

Our products and our ongoing development activities are subject to regulation by regulatory authorities in the countries in which we or our collaborators and distributors wish to test, manufacture or market our products. For instance, the FDA will regulate the product in the U.S. and equivalent authorities, such as the EMA, will regulate in Europe. Regulatory approval by these authorities will be subject to the evaluation of data relating to the quality, efficacy and safety of the product for its proposed use, and there can be no assurance that the regulatory authorities will find our data sufficient to support product approval.

The time required to obtain regulatory approval varies between countries. In the U.S., for products without "Fast Track" status, it can take up to eighteen (18) months after submission of an application for product approval to receive the FDA's decision. Even with Fast Track status, FDA review and decision can take up to twelve (12) months.

Different regulators may impose their own requirements and may refuse to grant, or may require additional data before granting, an approval, notwithstanding that regulatory approval may have been granted by other regulators. Regulatory approval may be delayed, limited or denied for a number of reasons, including insufficient clinical data, the product not meeting safety or efficacy requirements or any relevant manufacturing processes or facilities not meeting applicable requirements as well as case load at the regulatory agency at the time.

Delays in our clinical trials could result in us not achieving anticipated developmental milestones when expected, increased costs and delay our ability to obtain regulatory approval and commercialize our product candidates.

Delays in our ability to commence or enroll patients for our clinical trials could result in us not meeting anticipated clinical milestones and could materially impact our product development costs and delay regulatory approval of our product candidates. We do not know whether planned clinical trials will be commenced or completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including:

- delays in the development of manufacturing capabilities for our product candidates to enable their consistent production at clinical trial scale;
- delays in the commencement of clinical trials as a result of clinical trial holds or the need to obtain additional information to complete an Investigational New Drug Application (IND);
- delays in obtaining regulatory approval to commence new trials;
- adverse safety events experienced during our clinical trials;
- insufficient efficacy during trials leading to withdrawal of product candidate;
- delays in obtaining clinical materials;
- slower than expected patient recruitment for participation in clinical trials; and
- delays in reaching agreement on acceptable clinical trial agreement terms with prospective sites or obtaining institutional review board approval.

If we do not successfully commence or complete our clinical trials on schedule, the price of our common stock may decline.

Preclinical studies and Phase 1 or 2 clinical trials of our product candidates may not predict the results of subsequent human clinical trials.

Preclinical studies, including studies of our product candidates in animal models, may not accurately predict the result of human clinical trials of those product candidates. In particular, promising animal studies suggesting the efficacy of our products may not predict the ability of these products to treat humans. Our technology may be found not to be efficacious when studied in human clinical trials.

To satisfy FDA or foreign regulatory approval standards for the commercial sale of our product candidates, we must demonstrate in adequate and controlled clinical trials that our product candidates are safe and effective. Success in early clinical trials, including Phase 2 trials, does not ensure that later clinical trials will be successful. Our initial results from Phase 1/2 clinical trials also may not be confirmed by later analysis or subsequent larger clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

Our product candidates must undergo rigorous clinical testing, the results of which are uncertain and could substantially delay or prevent us from bringing them to market.

Before we can obtain regulatory approval for a product candidate, we must undertake extensive clinical testing in humans to demonstrate safety and efficacy to the satisfaction of the FDA or other regulatory agencies. Clinical trials of new drug candidates sufficient to obtain regulatory marketing approval are expensive and take years to complete.

We cannot be certain of successfully completing clinical testing within the time frame we have planned, or at all. We may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent us from receiving regulatory approval or commercializing our product candidates, including the following:

- our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or preclinical testing or to abandon programs;
- the results obtained in earlier stage clinical testing may not be indicative of results in future clinical trials;
- clinical trial results may not meet the level of statistical significance required by the FDA or other regulatory agencies;
- enrollment in our clinical trials for our product candidates may be slower than we anticipate, resulting in significant delays and additional expense;
- we, or regulators, may suspend or terminate our clinical trials if the participating patients are being exposed to unacceptable health risks; and
- the effects of our product candidates on patients may not be the desired effects or may include undesirable side effects or other characteristics that may delay or preclude regulatory approval or limit their commercial use, if approved.

Completion of clinical trials depends, among other things, on our ability to enroll a sufficient number of patients, which is a function of many factors, including:

- the therapeutic endpoints chosen for evaluation;
- the eligibility criteria defined in the protocol;
- the perceived benefit of the investigational drug under study;
- the size of the patient population required for analysis of the clinical trial's therapeutic endpoints;
- our ability to recruit clinical trial investigators and sites with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents; and
- competition for patients by clinical trial programs for other treatments.

We may experience difficulties in enrolling patients in our clinical trials, which could increase the costs or affect the timing or outcome of these clinical trials. This is particularly true with respect to diseases with relatively small patient populations.

We may in the future conduct clinical trials for our products or product candidates outside the United States and the FDA may not accept data from such trials.

We may in the future choose to conduct one or more of our clinical trials outside the United States. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of such study data by the FDA is subject to certain conditions. For example, the study must be well designed and conducted and performed by qualified investigators in accordance with ethical principles. The study population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. Generally, the patient population for any clinical studies conducted outside of the United States must be representative of the population for whom we intend to label the product in the United States. In addition, such studies would be subject to the applicable local laws and FDA acceptance of the data would be dependent upon its determination that the studies also complied with all applicable U.S. laws and regulations. There can be no assurance the FDA will accept data from trials conducted outside of the United States. If the FDA does not accept any such data, it would likely result in the need for additional trials, which would be costly and time consuming and delay aspects of our business plan.

We may fail to comply with regulatory requirements.

Our success will be dependent upon our ability, and our collaborative partners' abilities, to maintain compliance with regulatory requirements, including cGMP, and safety reporting obligations. The failure to comply with applicable regulatory requirements can result in, among other things, fines, injunctions, civil penalties, total or partial suspension of regulatory approvals, refusal to approve pending applications, recalls or seizures of products, operating and production restrictions and criminal prosecutions.

Regulatory approval of our product candidates may be withdrawn at any time.

After regulatory approval has been obtained for medicinal products, the product and the manufacturer are subject to continual review, including the review of adverse experiences and clinical results that are reported after our products are made available to patients, and there can be no assurance that such approval will not be withdrawn or restricted. Regulators may also subject approvals to restrictions or conditions, or impose post-approval obligations on the holders of these approvals, and the regulatory status of such products may be jeopardized if such obligations are not fulfilled. If post-approval studies are required, such studies may involve significant time and expense.

The manufacturer and manufacturing facilities we use to make any of our products will also be subject to periodic review and inspection by the FDA or EMA, as applicable. The discovery of any new or previously unknown problems with the product, manufacturer or facility may result in restrictions on the product or manufacturer or facility, including withdrawal of the product from the market. We will continue to be subject to the FDA or EMA requirements, as applicable, governing the labeling, packaging, storage, advertising, promotion, recordkeeping, and submission of safety and other post-market information for all of our product candidates, even those that the FDA or EMA, as applicable, had approved. If we fail to comply with applicable continuing regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approval, product recalls and seizures, operating restrictions and other adverse consequences.

There may not be a viable market for our products.

We believe that there will be many different applications for our products. We also believe that the anticipated market for our products will continue to expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and the degree of our products' commercial viability.

We rely on key personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to grow effectively.

We are dependent on our Chief Executive Officer, Itamar Shimrat, and on scientific and drug development consultants the loss of services of one or more of whom could materially adversely affect us.

Other than our Chief Executive Officer, we currently do not have full-time employees, but we retain the services of independent contractors/consultants on a contract-employment basis. Our ability to manage growth effectively will require us to continue to implement and improve our management systems and to recruit and train new employees. Although we have done so in the past and expect to do so in the future, there can be no assurance that we will be able to successfully attract and retain skilled and experienced personnel.

We may be subject to foreign exchange fluctuation.

We maintain our accounts in both U.S. dollars and Israeli shekels. A portion of our expenditures are in foreign currencies, most notably in U.S. dollars, and therefore we are subject to foreign currency fluctuations, which may, from time to time, impact our financial position and results. We may enter into hedging arrangements under specific circumstances, typically through the use of forward or futures currency contracts, to minimize the impact of increases in the value of the U.S. dollar. In order to minimize our exposure to foreign exchange fluctuations we may hold sufficient U.S. dollars to cover our expected U.S. dollar expenditures.

We may be exposed to potential product and clinical trials liability.

Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing, marketing and sale of therapeutic products. Human therapeutic products involve an inherent risk of product liability claims and associated adverse publicity. While we will continue to take precautions we deem appropriate, there can be no assurance that we will be able to avoid significant product liability exposure. We do not currently maintain liability insurance coverage as such insurance is expensive and difficult to obtain. In the event clinical trials are commenced, we plan to obtain liability insurance coverage in the jurisdictions applicable to such clinical trials. However, when we seek such insurance, it may not be available on acceptable terms, if at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit our ability to conduct clinical trials in certain jurisdiction or the commercialization of our current or potential products. A product liability claim brought against us in a clinical trial or a product withdrawal could have a material adverse effect upon us and our financial condition. Should the insurance coverage be insufficient in amount or scope to address multiple and diverse claims, liabilities not covered by insurance could represent a significant financial liability for Cell Source. Since Yeda does not conduct human trials, there is no need for Cell Source to have insurance for trials there. When Cell Source begins to contract facilities at hospitals to conduct human trials on its behalf, it will ensure that full and proper insurance coverage will be in place with respect to such clinical facilities. Cell Source plans to insure its participation in any and all clinical trials, above and beyond whatever insurance coverage is already held by the institutions and facilities providing services with respect to such clinical trials.

We may become subject to liabilities related to risks inherent in working with hazardous materials.

Our discovery and development processes involve the controlled use of hazardous and radioactive materials. We are subject to federal, state, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources. We are not specifically insured with respect to this liability. Although we believe that we are in compliance in all material respects with applicable environmental laws and regulations and currently do not expect to make material capital expenditures for environmental control facilities in the near-term, there can be no assurance that we will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

We contract research and development services from facilities which are located in Israel and, therefore, our business, financial condition and results of operation may be adversely affected by political, economic and military instability in Israel.

We contract some research and development services from facilities which are located in Israel. In addition, our Chief Executive Officer is a resident of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. In addition, our operations may be adversely affected by the call-up of certain of our employees, including members of our senior management, to active military services in the case of such hostilities.

During the Second Lebanon War of 2006, between Israel and Hezbollah, a militant Islamic movement, rockets were fired from Lebanon into Israel, causing casualties and major disruption of economic activities in northern Israel. An escalation in tension and violence between Israel and the militant Hamas movement (which controls the Gaza Strip) and other Palestinian Arab groups, culminated with Israel's military campaign in Gaza in December 2008, in November 2012 and again in July and August 2014 in an endeavor to prevent continued rocket attacks against Israel's southern towns. It is unclear whether any negotiations that may occur between Israel and the Palestinian Authority will result in an agreement. In addition, Israel faces threats from more distant neighbors, in particular, Iran, an ally of Hezbollah and Hamas.

Popular uprisings in various countries in the Middle East and North Africa have affected the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and these countries. Furthermore, several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in the region continue or intensify. Such restrictions may seriously limit our ability to sell our products to customers in those countries. Parties with whom we may do business could decline to travel to Israel during periods of heightened unrest or tension. In addition, the political and security situation in Israel may result in parties with whom we may have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. In addition, any hostilities involving Israel could have a material adverse effect on our facilities including our corporate office or on the facilities of our local suppliers, in which event all or a portion of our inventory may be damaged, and our ability to deliver products to customers could be materially adversely affected. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturns in the economic or financial condition of Israel, could adversely affect our operations and product development, cause our revenues to decrease and adversely affect our share price following this offering. Similarly, Israeli corporations are limited in conducting business with entities from several countries.

We do not have insurance that covers losses associated with terrorist attacks. Although the Israeli government in the past covered the reinstatement value of certain damages that were caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts, terrorist activities or political instability in the region would likely negatively affect business conditions generally and could harm our results of operations.

It may be difficult to enforce a judgment of a U.S. court against our officers and directors or the Israeli experts named in this report in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these experts.

Our Chief Executive Officer resides in Israel, and substantially all of our assets and most of the assets of this person are located in Israel. Therefore, a judgment obtained against any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on this person in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court.

The Company functions using an outsourcing driven model, where research is performed by employees of the Weizmann Institute of Science on their premises as funded by Cell Source and planned development such as production of Veto Cells and human clinical trials expected to take place at third party facilities, including hospitals and laboratories, mainly outside of Israel. For this reason, the company has not acquired or leased office space in Israel but rather uses services provided by its general counsel for office services in Israel and third part contracted office services in the United States.

Risks Related to Our Common Stock

Prior to the filing of this annual report on Form 10-K, we have been delinquent in our SEC reporting obligations for over 12 months and although we expect to file our periodic reports in a timely fashion going forward, we cannot provide assurance that our business and the price of our common stock will not be materially adversely affected by our previous failure to file required periodic reports.

Despite the filing of this annual report on Form 10-K, we face a continuing risk that the SEC will initiate an administrative proceeding to suspend or revoke the registration of our common stock under the Exchange Act due to our previous failure to file an annual report on Form 10-K since April 14, 2016 or quarterly reports on Form 10-Q since November 18, 2016. In addition, current and prospective investors will be unable to review certain financial and other disclosures that would have been contained in our delinquent reports until such reports are filed with the SEC and there may be continued concern on the part of customers, investors and employees about our financial condition and extended filing delay status, which may result in the loss of business opportunities, limitations on our ability to raise capital and general reputational harm. Moreover, because of our failure to file reports with the SEC on a timely basis, we will not be able to register securities on Form S-3, a short-form registration, until we have timely filed all required reports under the Exchange Act for the 12 months preceding the filing of the registration statement. This could increase our transaction costs and could affect our ability to raise capital in a timely manner. Any of the foregoing could materially adversely affect our business, results of operations, financial condition and stock price.

There may be additional issuances of shares of preferred stock in the future.

Our Articles of Incorporation permit us to issue up to 10,000,000 shares of preferred stock and our board of directors has authorized 1,335,000 shares of Series A Convertible Preferred, of which 650,567 shares are currently outstanding. Our board of directors could authorize the issuance of additional series of preferred stock in the future and such preferred stock could grant holders preferred rights on parity with the Series A Preferred as to dividend payments and liquidation preference. The issuances of other series of preferred stock could have the effect of reducing the amounts available to the Series A Preferred in the event of our liquidation, winding-up or dissolution. It may also reduce cash dividend payments on the Series A Preferred if we do not have sufficient funds to pay dividends on all Series A Preferred outstanding and outstanding parity preferred stock.

The liquidation preference of the Series A Preferred may be greater than the net tangible value of our Common Stock.

The Series A Convertible Preferred has a liquidation preference of $7.50 per share which may be greater than the net tangible book value of our common stock upon conversion.

There is not an active liquid trading market for the Company's Common Stock.

The Company is required to report under the Exchange Act and its Common Stock is eligible for quotation on the OTC Markets. However, there is no regular active trading market in the Company's Common Stock, and we cannot give an assurance that an active trading market will develop. If an active market for the Company's Common Stock develops, there is a significant risk that the Company's stock price may fluctuate dramatically in the future in response to any of the following factors, some of which are beyond our control:

- variations in our quarterly operating results;
- announcements that our revenue or income are below analysts' expectations;
- general economic slowdowns;

- sales of large blocks of the Company's Common Stock; and
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments.

Our common stock is thinly traded on the OTC Bulletin Board, and we cannot give assurance that our common stock will become liquid or that it will be listed on a securities exchange.

Our common stock is quoted on the OTC Bulletin Board, which provides significantly less liquidity than a securities exchange (such as the American or New York Stock Exchange) or an automated quotation system (such as the Nasdaq Global Select Market or Nasdaq Capital Market). We are currently classified as a delinquent reporting company on the OTC Bulletin Board/PK; however, we expect that the delinquent status will be removed upon the filing of this report and our Form 10-Q for the quarter ended March 31, 2018. We cannot give assurance that we will be able to meet the listing standards of any stock exchange, or that we will be able to maintain any such listing. Such exchanges require companies to meet certain initial listing criteria including certain minimum bid prices per share. We may not be able to achieve or maintain such minimum bid prices or may be required to effect a reverse stock split to achieve such minimum bid prices. Our common stock is currently quoted on the OTC Bulletin Board. Until our common stock is listed on an exchange, we expect that it will continue to be quoted on the OTC Bulletin Board. In this venue, however, an investor may find it difficult to obtain accurate quotations of our common stock and may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price. In addition, if we failed to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our common stock to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. This would make it more difficult for us to raise additional capital.

Our Common Stock is subject to the "penny stock" rules of the Securities and Exchange Commission, which may make it more difficult for stockholders to sell our Common Stock.

The SEC has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require that a broker or dealer approve a person's account for transactions in penny stocks, and the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience objectives of the person, and make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form sets forth the basis on which the broker or dealer made the suitability determination, and that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of the Company's Common Stock if and when such shares are eligible for sale and may cause a decline in the market value of its stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

We may not be able to attract the attention of brokerage firms because we became a public company by means of a reverse acquisition.

Because we became public through a "reverse acquisition," securities analysts of brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our Common Stock. No assurance can be given that brokerage firms will want to conduct any secondary offerings on behalf of the Company in the future.

Applicable regulatory requirements, including those contained in and issued under the Sarbanes-Oxley Act of 2002, may make it difficult for the Company to retain or attract qualified officers and directors, which could adversely affect the management of its business and its ability to obtain or retain listing of its Common Stock.

The Company may be unable to attract and retain those qualified officers, directors and members of board committees required to provide for effective management because of the rules and regulations that govern publicly held companies, including, but not limited to, certifications by principal executive officers. The enactment of the Sarbanes-Oxley Act has resulted in the issuance of a series of related rules and regulations and the strengthening of existing rules and regulations by the SEC, as well as the adoption of new and more stringent rules by the stock exchanges. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting roles as directors and executive officers.

Further, some of these changes heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. The Company may have difficulty attracting and retaining directors with the requisite qualifications. If the Company is unable to attract and retain qualified officers and directors, the management of its business and its ability to obtain or retain listing of our shares of Common Stock on any stock exchange (assuming the Company elects to seek and are successful in obtaining such listing) could be adversely affected.

If the Company fails to maintain an effective system of internal controls, it may not be able to accurately report its financial results or detect fraud. Consequently, investors could lose confidence in the Company's financial reporting and this may decrease the trading price of its stock.

The Company must maintain effective internal controls to provide reliable financial reports and detect fraud. The Company has been assessing its internal controls to identify areas that need improvement. It is in the process of implementing changes to internal controls, but has not yet completed implementing these changes. Failure to implement these changes to the Company's internal controls or any others that it identifies as necessary to maintain an effective system of internal controls could harm its operating results and cause investors to lose confidence in the Company's reported financial information. Any such loss of confidence would have a negative effect on the trading price of the Company's stock.

Voting power of our shareholders is highly concentrated by insiders.

Our officers, directors and affiliates currently own approximately 30.4% of our outstanding common stock. Such concentrated control of the Company may adversely affect the value of our ordinary shares. If you acquire our ordinary shares, you may have no effective voice in our management. Sales by our insiders or affiliates, along with any other market transactions, could affect the value of our ordinary shares.

We do not intend to pay dividends for the foreseeable future.

We have paid no dividends on our Common Stock to date and it is not anticipated that any dividends will be paid to holders of our Common Stock in the foreseeable future. While our future dividend policy will be based on the operating results and capital needs of the business, it is currently anticipated that any earnings will be retained to finance our future expansion and for the implementation of our business plan. As an investor, you should take note of the fact that a lack of a dividend can further affect the market value of our stock, and could significantly affect the value of any investment in our Company.

Our articles of incorporation allow for our board to create a new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our Common Stock.

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors have the authority to issue up to 10,000,000 shares of our preferred stock terms of which may be determined by the Board without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of Common Stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our Common Stock. In addition, our Board of Directors could authorize the issuance of a series of preferred stock that has greater voting power than our Common Stock or that is convertible into our Common Stock, which could decrease the relative voting power of our Common Stock or result in dilution to our existing stockholders. Although we have no present intention to issue any additional shares of preferred stock or to create any additional series of preferred stock, we may issue such shares in the future.

You may experience dilution of your ownership interests because of the future issuance of additional shares of common stock.

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our shareholders. We may also issue additional shares of our securities that are convertible into or exercisable for Common Stock, as the case may be, in connection with hiring or retaining employees, future acquisitions, future sales of its securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of Common Stock may create downward pressure on the value of our securities. There can be no assurance that we will not be required to issue additional shares of Common Stock, warrants or other convertible securities in the future in conjunction with any capital raising efforts, including at a price (or exercise prices) below the price at which our shares may be valued or are trading in a public market.

The Company does not currently have revenues and as such, our ability to continue our operations is dependent on the execution of management's plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. We may need to incur additional liabilities with certain related parties to sustain our existence. There can be no assurances that we will be successful in generating additional cash from equity or debt financings or other sources to be used for operations. In the event that further equity capital is raised, there is a risk that investors will incur dilution of their holdings.

The Company has used a combination of equity and debt capital to fund its operations. Some of the debt capital is in the form of convertible notes. Some of these notes may be convertible to equity at a 70% discount to the price of the most recent offering price. The note holders may also receive warrants on conversion. In the event that these notes are converted to equity, investors in the current offering with incur dilution. Otherwise, some of the proceeds of the offering may be used to repay debt, which limits the use of proceeds to fund expenditures for the Company's ongoing operations. The investors in the private placement that the Company conducted in 2014 prior to its share exchange with TTSI, have been allotted price protection features which were not offered to investors in Cell Source as a public company. In the event that these features are triggered, this could result in further dilution of investors in the future.

Below is a summary of the convertible notes issued by the Company:

Convertible notes

- Ten notes with principal amounts totaling $575,000 that matured January 2017 through September 2017.
- Seven notes with principal amounts totaling $485,000 that matured February 2018 through May 2018.

As further described in the financial statement footnotes contained elsewhere in this report, these notes are convertible into shares of common stock under various circumstances at the lower of: a) $0.75 per share, or b) 70% of the pricing of a qualified financing or 70% of the closing price for a period immediately before such conversions.

Other notes:

- Seven notes with principal amounts totaling $1,063,000 that matured June 2016 through December 2017.
- Two notes with principal amounts totaling $350,000 that matured in January 2018 and March 2018.

We are in default of payment obligations under certain promissory notes.

As of June 30, 2018, $2,473,000 of indebtedness represented by outstanding promissory notes was past due. Although none of the holders of the note have elected to pursue remedies against us, no assurance can be given that they will not do so in the future. The institution of collection actions could have a material adverse effect on our business, and could force us to seek relief through insolvency or other proceedings.

As an issuer of "penny stock," the protection provided by the federal securities laws relating to forward looking statements does not apply to us.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, we will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading. Such an action could hurt our financial condition.

Our issuance of Common Stock upon exercise of warrants or options or conversion of Series A Preferred Stock or convertible notes may depress the price of our Common Stock.

As of December 31, 2017 and 2016, we had 25,349,236 and 24,679,256 shares of Common Stock issued and outstanding, respectively and outstanding warrants to purchase 13,659,316 and 13,909,316 shares of Common Stock, respectively. In addition as of December 31, 2017 and 2016 we had 643,790 and 0 shares, respectively, of Series A Preferred Stock and $800,827 and $1,126,500, respectively, aggregate principal amount of convertible notes outstanding. The issuance of shares of Common Stock upon exercise of outstanding warrants or options or conversion of Series A Preferred Stock or convertible notes could result in substantial dilution to our stockholders, which may have a negative effect on the price of our Common Stock.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company. Since we are subject to the filing requirements of Section 13 or 15(d) of the Exchange Act, we file reports with the Securities and Exchange Commission. As a result, we file annual, quarterly and current reports with respect to our business and financial condition and establish and maintain effective disclosure and financial controls and corporate governance practices. Compliance with the Exchange Act and the rules and regulations under the Exchange Act have substantially increased our legal and financial compliance costs and made some activities more time-consuming and costly. Our management and other personnel devote a substantial amount of time to these compliance initiatives. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance. We estimate that we will incur between $1 million and $2.5 million annually in expenses in response to these requirements.

If we take advantage of specified reduced disclosure requirements applicable to an "emerging growth company" under the JOBS Act, the information that we provide to stockholders may be different than they might receive from other public companies.

As a company with less than $1 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" under the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- Only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- Reduced disclosure about our executive compensation arrangements;
- No non-binding advisory votes on executive compensation or golden parachute arrangements;
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1 billion in annual revenues, we have more than $700 million in market value of our stock held by non-affiliates, or we issue more than $1 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens. We have not taken advantage of all of these reduced reporting burdens in this Report on Form 10-K, although we may choose to do so in future filings. If we do, the information that we provide stockholders may be different than you might get from other public companies in which you hold stock.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We have carried out an evaluation under the supervision and with the participation of our management, including our principal executive and principal officer, of the effectiveness of the design and operation of our disclosure controls and procedures and internal controls over financial reporting as of the end of December 31, 2017 and 2016. Based on the foregoing, our principal executive and financial officer concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective at the reasonable assurance level due to the material weakness described below.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weakness:

Due to a lack of financial resources, we were unable to file our annual reports on Form 10-K for the years ended December 31, 2017 and December 31, 2016 and the quarterly reports on Form 10-Q for the periods ended March 31, 2017, June 30, 2017, September 30, 2017 and March 31, 2018 on a timely basis. Management evaluated the lack of financial resources on our assessment of our reporting controls and procedures and has concluded that the control deficiency represented a material weakness.

Management’s efforts to remediate the material weakness include raising funds and to seek new resources to alleviate this material weakness and to file all necessary regulatory reports on a timely basis. There can be no assurance that the necessary funds and resources will be obtained and the material weakness will be alleviated.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this Annual Report on Form 10-K, including the risks described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operation" in this Annual Report on Form 10-K and in other documents which we file with the Securities and Exchange Commission. In addition, such statements could be affected by risks and uncertainties related to:

- our ability to raise funds for general corporate purposes and operations, including our clinical trials;
- the commercial feasibility and success of our technology;
- our ability to recruit qualified management and technical personnel;
- the success of our clinical trials;
- our ability to obtain and maintain required regulatory approvals for our products; and
- the other factors discussed in the "Risk Factors" section and elsewhere in this Annual Report on Form 10-K.

Any forward-looking statements speak only as of the date on which they are made, and except as may be required under applicable securities laws, we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this current report.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our corporate headquarters is located at 57 West 57th Street, Suite 400, New York, New York 10019. We believe that this space is adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS.

We are not involved in any pending legal proceeding or litigations and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on us.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is currently quoted under the symbol “CLCS” on the OTCPK. From March 13, 2014 until in or about April 2017, our common stock was quoted on the OTCQB. There has been no active trading of our common stock.

There was no reported trading in our common stock prior to March 13, 2014. Since March 13, 2014, there has been limited trading in our common stock. The following table sets forth the range of high and low bid prices of our common stock as reported and summarized on the OTCQB for the periods indicated. These prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

2018 Fiscal Year

	High	Low
First Quarter ended March 31, 2018	$ 0.43	$ 0.25
Second Quarter ended June 30, 2018	$ 0.85	$ 0.42

2017 Fiscal Year

	High	Low
First Quarter ended March 31, 2017	$ 0.53	$ 0.35
Second Quarter ended June 30, 2017	$ 0.45	$ 0.25
Third Quarter ended September 30, 2017	$ 0.40	$ 0.30
Fourth Quarter ended December 31, 2017	$ 0.45	$ 0.20

2016 Fiscal Year

	High	Low
First Quarter ended March 31, 2016	$ 1.55	$ 0.75
Second Quarter ended June 30, 2016	$ 1.10	$ 0.80
Third Quarter ended September 30, 2016	$ 1.50	$ 0.72
Fourth Quarter ended December 31, 2016	$ 1.10	$ 0.45

2015 Fiscal Year

	High	Low
First Quarter ended March 31, 2015	$ 1.35	$ 0.20
Second Quarter ended June 30, 2015	$ 1.60	$ 0.73
Third Quarter ended September 30, 2015	$ 1.39	$ 1.00
Fourth Quarter ended December 31, 2015	$ 1.60	$ 1.05

Transfer Agent

Our transfer agent is Globex Transfer, LLC, 780 Deltona Blvd., Suite 202, Deltona, FL 32725.

Holders

As of July 23, 2018, there were 102 holders of record of our common stock.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

Warrants

As of December 31, 2017 and 2016, we had warrants to purchase an aggregate of 13,659,316 and 13,909,316 shares of common stock, respectively, outstanding with a weighted average exercise price of $0.64 and $0.64 per share, respectively.

Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

As of the date of the filing of this Annual Report on Form 10-K, we do not have any equity compensation plan.

Sales of Unregistered Securities

On October 7, 2015, the Company issued one-year convertible notes payable in the aggregate principal amount of $250,000. The notes bear interest at a rate of 6% per annum. For a period of fifteen (15) business days beginning on the maturity date, at the option of the holder, the principal and any accrued and unpaid interest may be converted into common stock at a conversion price of $0.75 per share. In consideration of the loans, an aggregate of 250,000 shares of common stock, were issued by the Company to the purchasers of the notes payable. The Company relies upon the exemption provided by Rule 506 and Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") in connection with the issuance of the convertible note. On November 25, 2016, the Company issued 125,000 shares of common stock to the holders of the notes in connection with the agreement of the holders to convert $15,000 of accrued and unpaid interest into non-interest bearing promissory notes in such aggregate amount and their agreement to extend the maturity dates of the notes from October 7, 2016 to June 30, 2017. In addition, the holders of the notes agreed that the original notes would no longer accrue interest. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with the issuance of common stock to the holders of the convertible notes.

On November 10, 2015, the Company issued warrants to purchase an aggregate of 2,400,000 shares of common stock at an exercise price of $0.75 per share to certain founders of Cell Source Limited. The warrants expire on November 10, 2019. The Company relied upon the exemption provided by Rule 701 of the Securities Act in connection with the issuance of the warrants.

In November 2015, the Company issued a series of convertible notes in the aggregate principal amount of $332,500. The notes accrued interest at the rate of 18% per annum and became due and payable in May 2017. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with the issuance of the convertible notes. In May 2017, the holders exchanged these notes for 76,475 shares of Series A Preferred Stock. The Company relied upon the exemption provided by Section 3(a)(9) of the Securities Act in connection with the exchange transaction. The Series A Preferred Stock may be converted at the option of the holder into such number of shares of the Company's common stock equal to the number of shares of Series A Preferred Stock to be converted, multiplied by the Stated Value of $7.50, divided by the conversion price in effect at the time of the conversion. The conversion price is $0.75 per share, subject to adjustment in the event of stock splits, stock dividends, and similar transactions. In addition, the Series A Preferred Stock will automatically convert into common stock at the earlier of (a) any of the Company's treatment candidates receiving Food and Drug Administration or European Medicines Agency approval or (b) five years from the final closing of the offering of the Series A Preferred Stock. Holders of Series A Preferred Stock are entitled to cumulative 9% dividends which are payable semi-annually, commencing on December 30, 2016, in the Company's sole discretion either in common stock or in cash. Pursuant to a royalty agreement with the holders of the Series A Preferred Stock, the Company will pay to the holders, in the aggregate, a royalty based on their pro rata ownership of the Series A Preferred Stock equal to 6% of net revenue for treatments sold directly by the Company and 6% of cash received by the Company pursuant to Cell Source treatment licensing or partnering agreements. The royalty payments will terminate when the patents underlying the treatments expire or the sub-licensee discontinues commercial use.

In January 2016, the Company issued a convertible note payable in the principal amount of $250,000 to an investor who advanced the funds to the Company in January 2015. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction. The note, which bore interest at a rate of 10% per annum, matured on July 27, 2016 and was exchanged on the maturity date for 60,000 shares of the Company's Series A Preferred Stock. The Company relied upon the exemption provided by Section 3(a)(9) of the Securities Act in connection with the exchange transaction.

On March 8, 2016, the Company issued six-month notes payable in the aggregate principal amount of $600,000 (the "Six Month Notes") which bear interest at a rate of 10% per annum. In connection with the note issuances, the Company issued warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $0.75 per share. The warrants contain a provision that provides the Company with an option, prior to the expiration date, to redeem all of the warrants then outstanding upon not less than thirty (30) days nor more than (60) days notice to the applicable holder, at a redemption price of $0.01 per share, subject to the conditions that: (i) there is an effective registration statement covering the resale of the underlying shares of common stock and (ii) the common stock has traded for twenty (20) consecutive days with a closing price of at least $2.50 per share with an average trading volume of 100,000 shares per day. The warrants expire on March 25, 2019. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with the issuance of the notes and warrants.

During the three months ended March 31, 2016, the Company issued an aggregate of $390,000 in principal amount of convertible notes (the "10% Convertible Notes") to investors. The 10% Convertible Notes bear interest at a rate of 10% per annum and became payable eighteen (18) months from the date of issuance (the "Maturity Date"). The 10% Convertible Notes shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds; (ii) the closing of a strategic transaction (including but not limited to the Company's entry into a joint venture or partnership agreement or the sublicensing of the Company's intellectual property) pursuant to which the Company, directly or indirectly, receives, or expects to receive within eighteen months, cash, assets or other consideration with a total aggregate value of at least $4,000,000; or (iii) the Maturity Date. The Company has deferred the processing of the conversion of these notes in anticipation of the holders of the notes exchanging such notes for shares of Series A Preferred Stock. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

On April 4, 2016, the Company issued 250,000 shares of common stock to the holder of a note in the principal amount of $250,000 in connection with the holder's agreement to extend the maturity date of the note from December 31, 2015 to September 30, 2016. On December 28, 2017, the Company issued 125,000 shares of common stock and 5,000 shares of Series A Preferred Stock in connection with the holder's agreement to extend the maturity date from September 30, 2016 to March 31, 2018. In addition, the Company issued 250,000 shares of common stock to the holder in exchange for the surrender of warrants to purchase 250,000 shares of common stock. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with the extension transactions and Section 3(a)(9) of the Securities Act in connection with the issuance of the common stock in exchange for the warrants.

On July 20, 2016, the Company issued a five year warrant to purchase 150,000 shares of common stock at an exercise price of $0.75 per share to the purchaser of a note in the principal amount of $200,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

On August 4, 2016, the Company issued a five year warrant to purchase 75,000 shares of common stock at an exercise price of $0.75 per share to the purchaser of a note in the principal amount of $100,000. On December 28, 2017, the Company issued 25,000 shares of common stock and 2,500 shares of Series A Preferred Stock in connection with the holders agreement to extend the maturity date of the note from February 4, 2017 to January 31, 2018. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with these transactions.

On July 20, 2016, the Company issued three year warrants to purchase 72,500 shares of common stock at an exercise price of $0.75 per share to the holders of notes in the aggregate principal amount of $145,000 in connection with the agreement of the holders to extend the maturity dates of the notes from July 24, 2016 to January 24, 2017. On August 15, 2017, holders of $125,000 aggregate principal amount of these notes were issued a total of 93,750 shares of common stock in connection with their agreement to extend the maturity dates of the notes from January 24, 2017 to February 15, 2018. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with these transactions.

On August 16, 2016, the Company issued a five year warrant to purchase 37,500 shares of common stock at an exercise price of $0.75 per share to the purchaser of a note in the principal amount of $50,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

On August 10, 2016 and November 25, 2016, the Company issued 250,000 and 125,000 shares, respectively, of common stock to holders of notes in the aggregate principal amount of $500,000 in connection with the agreement of the holders to extend the maturity dates of the notes beyond the original maturity date of March 26, 2016. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with these transactions.

On August 25, 2016, the Company issued a five year warrant to purchase 45,000 shares of common stock at an exercise price of $0.75 per share to the purchaser of a note in the principal amount of $60,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

On October 13, 2016, the Company issued a five year warrant to purchase 37,500 shares of common stock at an exercise price of $0.75 per share to the purchaser of a note in the principal amount of $50,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

Between January 11, 2017 and December 7, 2017, the Company sold a total of 306,759 shares of Series A Preferred Stock to accredited investors at a purchase price of $7.50 per share. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with these transactions.

On January 19, 2017, a convertible note in the principal amount of $250,000 was converted into 60,000 shares of Series A Preferred Stock. The Company relied upon the exemption provided by Section 3(a)(9) of the Securities Act in connection with this transaction.

The Company issued a total of 176,230 shares of common stock as a payment in kind dividend to holders of its Series A Preferred Stock in 2017. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

Between January 19, 2017 and October 3, 2017, holders of $1,282,500 aggregate principal amount of notes issued by the Company exchanged such notes for a total of 281,697 shares of Series A Preferred Stock. The Company relied upon the exemption provided by Section 3(a)(9) of the Securities Act in connection with the exchange transaction.

In January 2017, a total of $100,000 that was advanced to the Company in February 2015 was converted into 23,834 shares of Series A Preferred Stock. The Company relied upon the exemption provided by Section 3(a)(9) of the Securities Act in connection with this transaction.

On May 18, 2017, the Company issued convertible notes to five accredited investors, including an entity controlled by Ben Friedman and an entity controlled by David Zolty, in the aggregate principal amount of $360,000 and, in connection with such transaction, issued the investors a total of 24,000 shares of Series A Preferred Stock. The notes are non-interest bearing and matured on May 18, 2018. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with the issuance of the Notes.

In February 2018, the Company issued five year warrants to purchase 300,000 shares of common stock to three purchasers of notes in the aggregate principal amount of $500,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with these transactions.

In March 2018, the Company sold 6,667 shares of Series A Preferred Stock to one investor for $50,000. The Company relied upon the exemption provided by Section 4(2) of the Securities Act in connection with this transaction.

Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management Discussion and Analysis (“MD&A”) contains “forward-looking statements," which represent our projections, estimates, expectations or beliefs concerning among other things, financial items that relate to management’s future plans or objectives or to our future economic and financial performance. In some cases, you can identify these statements by terminology such as “may,” “should,” “plans,” “believe,” “will,” “anticipate,” “estimate,” “expect,” “project” or “intend,” including their opposites or similar phrases or expressions.

You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this MD&A. Except as may be required under applicable securities laws, we undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this MD&A or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe under “Risk Factors” in this Annual Report on Form 10-K. Actual results may differ materially from any forward looking statement.

This Form 10-K includes, in one filing, the business and financial information for the Company for the fiscal years ended December 31, 2017 and 2016. Therefore, this Management’s Discussion and Analysis provides an analysis of the annual financial condition and results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016, and the year ended December 31, 2016 compared to the year ended December 31, 2015. This review should be read in conjunction with the Financial Statements and Supplementary Data, which are included after the signature page of this Form 10-K.

This Form 10-K is our first periodic filing since the Form 10-Q for the quarter ended September 30, 2016. Due to a lack of financial resources, we were unable to file our annual reports on Form 10-K for the years ended December 31, 2017 and 2016 and the quarterly reports for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017 and March 31, 2018 on a timely basis. We plan to file all delinquent reports separately following the filing of this Form 10-K.

Overview

Our wholly-owned subsidiary, Cell Source Israel was founded in 2011 as a privately held company located in Tel Aviv, Israel. Our business is based on over ten (10) years of prominent research at the Weizmann Institute of Science, from whose commercial arm "Yeda" (Yeda Research and Development Company Limited) we license patented technology. Our exclusive, world-wide license provides us with access to certain discoveries, inventions and other intellectual property generated by Professor Yair Reisner, formerly Head of the Immunology Department at the Weizmann Institute, together with others.

Our lead prospective product is our patented Veto Cell immune system management technology, which is an immune tolerance biotechnology that enables the selective blocking of immune responses. The Company's target indications include: lymphoma, leukemia and multiple myeloma through the facilitation of safer and more accessible stem cell (e.g. bone marrow) transplantation acceptance, treatment of end stage kidney disease and other non-malignant organ diseases through improved organ transplantation (broadened donor pool, reduced dependence on post-transplant anti-rejection therapy), and ultimately treating a variety of cancers and non-malignant diseases.

Cell Source, under its exclusive license with Yeda, commercial arm of the Weizmann Institute of Science, has recently filed patent applications that extend the usage of Veto Cell technology as a critical enabler for other cell therapy treatments. One patent application highlights, based on preclinical data, the ability of Veto Cells to accompany other cell therapy treatments and help them overcome rejection and avoid Graft vs. Host Disease (GvHD) in an allogeneic (using a third party donor) treatment setting. The other patent application involves a genetically modified Veto Cell that can have sustained survival in the patient's body while avoiding rejection and GvHD. This second application holds the potential to make CAR-T cells, which to date been effective primarily in an autologous (patient's own cells) setting, succeed in an allogeneic setting.

Cell Source is actively exploring collaborations with larger biopharmaceutical firms where Veto Cell technology can significantly enhance the efficacy of cell therapy treatments for a variety of indications. This may allow Cell Source to complement the development of its own treatment candidates with parallel development with partners, thus multiplying the potential impact of this technology in the clinic.

Prior to commercializing its products, the Company must conduct human clinical trials and obtain FDA approval and/or approvals from comparable foreign regulatory authorities.

Generally speaking, as a preclinical biotechnology firm, Cell Source needs to go through several necessary steps in order to commercialize its products and commence revenue generation. These steps are per product, but can run in parallel for multiple products, which are each in different stages of the development "pipeline", so that, for example, when a certain product is already in a human clinical trial, another product may still be in preclinical development and a third may be awaiting regulatory approval to commence human trials. These can also take place in parallel, and varied stages, for the same product in different geographic jurisdictions. The typical steps per product (and range of time frame for each) are:

1. Complete development of human treatment protocol (2-5 years)
2. Apply for and receive approval to commence human trials (9-18 months)
3. Recruit patients (1-6 months)
4. Conduct Phase I trials showing safety of product (1-2 years)
5. Apply for and receive approval to conduct trials showing product efficacy (6-12 months)
6. Data collecting and analysis (6-12 months)
7. Conduct Phase II efficacy trials (2-3 years)
8. Data collecting and analysis (6-12 months)
9. Apply for and receive approval to conduct trials showing efficacy in larger numbers of patients (6-12 months)
10. Conduct Phase III efficacy trials with larger numbers of patients (2-4 years)
11. Data collecting and analysis (6-12 months)
12. Apply for and receive approval for production scale manufacturing facilities (6-12 months)
13. Contract third party or establish own production facilities (6-30 months)
14. Contract third party or establish own distribution platform (6-18 months)
15. Commence manufacturing and distribution (6-12 months)

Please note that steps 12-15 can be conducted in parallel with some of the steps above. In the case of Cell Source and other firms that treat terminal patients with either rare diseases or those for which there is currently no effective treatment, or where preclinical studies indicate a reasonable expectation to increase life expectancy and survival rates by a substantive margin, several of these steps can be combined and or shortened, subject to regulatory discretion. For example, Phase I and II (safety and efficacy) can be combined in a single concurrent step; approvals for subsequent steps can be accelerated; in some countries patients can already be treated commercially after the end of Phase II, foregoing the requirement for Phase III data as a prerequisite.

Although we have provided estimated timeframes for each step above, no assurances can be made that such timeframes are accurate or that they would not be delayed for one or more reasons. At any stage of a human clinical trial, there could be problems with either safety or efficacy of treatment. In these instances the Company could be required to reformulate the treatment and proceed with additional patients, which could involve a delay of months or years, depending on whether we would have to seek approval from the very beginning of the approval process. There can also be a delay of up to 1 to 2 years between phases of a human clinical trial, as the regulator may wish to take additional time to review the approval of a subsequent stage. Furthermore, if a significant modification to the treatment is required, the application process begins again from the very first stage. If the treatment is not effective at all or if it's harmful to patients, even after modifications are made, it is possible that the trials may be halted completely and the product candidates permanently withdrawn. While the timescales presented here are representative of the typical experience, there is no assurance that there will not be significant delays at any stage or step in the process or a complete failure of trials.

The specific detailed next steps the company must take to get the treatments or products to market include the following:

We have not submitted any drug applications to the FDA and do not have anything pending for approval with the FDA. Cell Source itself has not had any contact with any regulator anywhere regarding treatment approvals or clinical trials associated with regulatory approvals. We are aware that a hospital in Italy in May, 2014 independently requested and in September, 2014 received approval to conduct a trial with the same protocol that we plan to use, but we are not mentioned in the application nor in the approval. However, we may indirectly benefit from the outcome of the trial, if successful, although we are not the sponsor of this trial. There are no written or verbal agreements between the hospital and Cell Source regarding the use of the technology. That said, Cell Source is aware and in favor of the hospital plans to use the technology and would of course find a positive initial outcome encouraging. Since the treatment is being done on compassionate grounds as a non-commercial clinical trial, there is no legal requirement for the hospital to obtain approval to use the treatment protocol. The hospital has successfully treated a cancer patient using the Megadose Drug Combination technology that Cell Source exclusively licenses from Yeda Research & Development Ltd., commercial arm of the Weizmann Institute of Science. While Cell Source is not a sponsor of the trial, the results provide a positive initial indication with respect to the technology. The patient received a bone marrow transplantation from a haploidentical or "mismatched" donor under a reduced intensity conditioning regimen (i.e., a relatively low level of immune suppression treatment). There was successful initial engraftment of the transplantation in the absence of GVHD.

For the Veto Cell application for reducing rejection in Bone Marrow Transplants, Cell Source expects to commence Phase I/II human clinical trials in the US in 2018 and in the EU starting sometime in 2019. Cell Source anticipates that Phase I/II studies will last until 2020 or 2021. These would be followed by completion of Phase II and Phase III, which would last another 2-3 years each, so that full approval, if successful, would be expected sometime in 2026. In Germany there is a possibility of approval for commercial use on a "compassionate grounds" basis at the end of Phase II, which could take place by 2024. In the US, Cell Source plans to commence the IND approval process with the FDA in 2018, which could last until between 2022 and 2025. Cell Source has commenced a preclinical collaboration with respect to combining CAR-T cell therapy with Veto Cell therapy and commenced pre-clinical proof of concept trials in 2018. If successful, this could lead to a commencement of a combined FDA trial in 2019 or 2020 and could last until 2026 or 2027.

It is possible that Cell Source treatments could qualify for any or all of Fast Track, Breakthrough Therapy, Accelerated Approval, Regenerative Medicine Advanced Therapy Designation and Priority Review designation under the FDA, which would hasten their approval if successful.

The costs for each step of development, in terms of clinical trials, are delineated below:

Cell Source estimates the cost of clinical trials alone to be up to $5-10 million in each of the coming two years and another $25-50 million in order to reach commercialization for both the Anti-rejection Veto Cell and the Veto Cell + CAR-T cell products. This would mean that Cell Source will need to secure one or more significant capital infusions in order to reach the point that meaningful revenues could be generated.

Cell Source will require additional financing for any and all of the steps described above.

Consolidated Results of Operations

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016 and December 31, 2015

The following table presents selected items in our consolidated statements of operations for the years ended December 31, 2017, 2016 and 2015, respectively:

	For the Year Ended December 31,		
	2017	2016	2015
Revenues	$ -	$ -	$ -
Operating Expenses			
Research and development	637,318	554,185	392,925
Research and development - related party	839,538	812,638	829,970
Selling, general and administrative	815,947	951,783	1,097,580
Total Operating Expenses	2,292,803	2,318,606	2,320,475
Loss From Operations	(2,292,803)	(2,318,606)	(2,320,475)
Other (Expense) Income			
Interest expense	(174,970)	(243,425)	(32,612)
Interest expense - related parties	(3,000)	(3,000)	(3,000)
Amortization of debt discount	(389,218)	(1,238,351)	(340,668)
Amortization of debt discount - related parties	(48,944)	(35,000)	(15,600)
Change in fair value of derivative liability	590,173	2,870,600	208,250
Loss on exchange of notes payable for preferred shares	(725,355)	-	-
Loss on exchange of warrants for common shares	(38,393)	-	-
Total Other (Expense) Income	(789,707)	1,350,824	(183,630)
Net Loss	$ (3,082,510)	$ (967,782)	$ (2,504,105)

Research and Development

Research and development expense was $1,476,856, $1,366,823 and $1,222,895 for the years ended December 31, 2017, 2016 and 2015, respectively. Research and development expense increased slightly by $110,033 or 8% from December 31, 2017 compared to 2016. Research and development expense increased by $143,928 or 12% from December 31, 2016 compared to 2015, which was primarily due to increased expenses associated with cash and non-cash compensation to our Scientific Advisory Board of approximately $105,000 and key patent expenses of approximately $41,000.

Selling, General and Administrative

Selling, general and administrative expense was $815,947, $951,783 and $1,097,580 for the years ended December 31, 2017, 2016 and 2015, respectively. Selling, general and administrative expense decreased by $135,836 or 14% from December 31, 2017 compared to 2016, primarily due to decreases of approximately $113,000 of bookkeeping and audit expenses, approximately $70,000 of stock compensation expenses and approximately $40,000 of external expenses, offset by approximately $105,000 of consulting expenses. Selling, general and administrative expense decreased by $145,797, or 13% from December 31, 2016 compared to 2015, primarily due to decreases associated with legal expenses of approximately $100,000, travel expenses of approximately $94,000 and payroll expenses of $29,000, offset by an increase in external filing fees of $86,000.

Change in Fair Value of Derivative Liability

The change in fair value of derivative liability for the years ended December 31, 2017, 2016 and 2015, was a gain of $590,173, a gain of $2,870,600 and a gain of $208,250, respectively, which represents the change in fair value of the warrants and conversion options that were deemed to be derivative liabilities.

Interest Expense

Interest expense for the years ended December 31, 2017, 2016 and 2015, was $177,970, $246,425 and $35,612, respectively, a decrease of $68,455 or 28% from December 31, 2017 compared to 2016, an increase of $210,813 or 592% from December 31, 2016 compared to 2015, due to a decrease in notes payable outstanding related to conversions in 2017 and an increase in notes payable outstanding during 2016, respectively.

Amortization of Debt Discount

Amortization of debt discount was $438,162, $1,273,351 and $356,268 for years ended December 31, 2017, 2016 and 2015, respectively, which is associated with warrants and conversion options issued in connection with notes payable.

Loss on Exchange of Notes Payable for Equity

During the year ended December 31, 2017, we recognized $725,355 of loss on exchange of notes payable for equity related to the embedded conversion option, as well as the interest accrued during the life of the Notes. We recorded no such losses during 2016 and 2015.

Loss on Exchange of Warrants for Common Shares

During the year ended December 31, 2017, we recognized $38,393 of loss on exchange of warrants for common shares related to outstanding Warrants exchanged in connection with a Note extension during the period. We recorded no such losses during 2016 and 2015.

Liquidity and Going Concern

We measure our liquidity in a number of ways, including the following:

	December 31,		
	2017	**2016**	**2015**
Cash	$ 371,048	$ 3,735	$ 6,944
Working capital deficiency	$ (4,557,374)	$ (6,243,356)	$ (5,711,374)

We have not generated any revenues since our inception, we have recurring net losses, we have a working capital deficiency as of December 31, 2017, 2016 and 2015 of approximately $4,557,000, $6,243,000 and $5,711,000, respectively. We have used cash in operations of approximately $2,288,000, $1,494,000, and $2,001,000 during the years ended December 31, 2017, 2016 and 2015, respectively. Subsequent to December 31, 2017, we received $500,000 through the issuance of short term notes payable and $50,000 through the issuance of Series A Convertible Preferred Stock.

Our ability to continue our operations is dependent on the execution of management's plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. We may need to incur additional liabilities with certain related parties to sustain our existence. If we were not to continue as a going concern, we would likely not be able to realize our assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of our financial statements.

There can be no assurances that we will be successful in generating additional cash from equity or debt financings or other sources to be used for operations. Should we not be successful in obtaining the necessary financing to fund our operations, we would need to curtail certain or all operational activities and/or contemplate the sale of our assets, if necessary.

During the years ended December 31, 2017, 2016 and 2015, our sources and uses of cash were as follows:

Net Cash Used in Operating Activities

We experienced negative cash flows from operating activities for the years ended December 31, 2017, 2016 and 2015 in the amounts of $2,287,814, $1,494,060 and $2,000,610, respectively. The net cash used in operating activities for the year ended December 31, 2017 was primarily due to cash used to fund a net loss of $3,082,510, adjusted for net non-cash expenses in the aggregate amount of $656,863 and by $137,833 of net cash provided due to changes in the levels of operating assets and liabilities, primarily as a result of increases in accrued interest and compensation. The net cash used in operating activities for the year ended December 31, 2016 was primarily due to cash used to fund a net loss of $967,782, adjusted for net non-cash expenses in the aggregate amount of $1,481,630, partially offset by $955,352 of net cash provided due to changes in the levels of operating assets and liabilities, primarily as a result of increases in accounts payable and accrued expenses, due to cash constraints during the period. The net cash used in operating activities for the year ended December 31, 2015 was primarily due to cash used to fund a net loss of $2,504,105, adjusted for net non-cash expenses in the aggregate amount of $284,762, partially offset by $218,733 of net cash provided due to changes in the levels of operating assets and liabilities, primarily as a result of increases in accounts payable due to cash constraints during the period.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the years ended December 31, 2017, 2016 and 2015 was $2,655,127, $1,490,851 and $1,988,074, respectively. The net cash provided by financing activities during the year ended December 31, 2017 was attributable to $2,295,127 of proceeds from the issuance of Series A preferred stock, $135,000 of proceeds from the issuance of notes payable and $225,000 of proceeds from the issuance of notes payable – related party. The net cash provided by financing activities during the year ended December 31, 2016 was attributable to $1,503,000 of proceeds from the issuance of notes payable and $102,426 of proceeds received in connection with Series A preferred stock not issued as of December 31, 2016, partially offset by the repayment of $44,574 of debt issuance costs, the repayment of $50,000 of a related party note payable, and $20,000 of deferred financing costs incurred by us. The net cash provided by financing activities during the year ended December 31, 2015 was attributable to $1,577,500 of proceeds from the issuance of notes payable and $450,000 of proceeds received in connection with a convertible note offering prior to closing, partially offset by the repayment of $39,426 of debt issuance costs.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and the amounts disclosed in the related notes to the financial statements. Management bases its estimates and judgements on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and the amounts of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, fair value calculations for equity securities, establishment of valuation allowances for deferred tax assets, stock-based compensation, contingencies, the recoverability and useful lives of long-lived assets and the recovery of deferred costs. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the consolidated financial statements in the period that they are determined to be necessary. See Note 3, *Summary of Significant Accounting Policies — Stock-Based Compensation* for additional discussion of the use of estimates in estimating the fair value of the Company's common stock.

Income Taxes

The Tax Cuts and Jobs Act (the "Act") was enacted in December 2017. Among other things, the primary provision of Tax Reform impacting us is the reduction to the U.S. corporate income tax rate from 35% to 21%, eliminating certain deductions and imposing a mandatory one-time transition tax on accumulated earnings of foreign subsidiaries. The change in tax law required us to remeasure existing net deferred tax assets using the lower rate in the period of enactment resulting in an income tax expense of approximately $430,000 which is fully offset by a corresponding tax benefit of $430,000 which related to the corresponding reduction in the valuation allowance for the year ended December 31, 2017. There were no specific impacts of Tax Reform that could not be reasonably estimated which we accounted for under prior tax law. However, a continued analysis of the estimates and further guidance on the application of the law is ongoing, Accordingly, it is possible that additional revisions may occur throughout the allowable measurement period.

We recognize deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

We adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10, which prescribes a recognition threshold and measurement process for financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in our consolidated financial statements as of December 31, 2017 and 2016. We do not expect any significant changes in our unrecognized tax benefits within twelve months of the reporting date.

Our policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations. There were no amounts accrued for interest or penalties for the years ended December 31, 2017, 2016 and 2015.

Research and Development Costs

Research and development costs are expensed as they are incurred and consist of fees paid to consultants, clinical trials and related clinical manufacturing costs, license and milestone fees, and facilities.

Stock-Based Compensation

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For non-employees, the fair value of the award is generally re-measured on financial reporting dates and vesting dates until the service period is complete. The fair value amount is then recognized over the period the services are required to be provided in exchange for the award, usually the vesting period. Because our common stock historically was not actively traded on a public market, the fair value of our restricted equity instruments is estimated by management based on observations of the sales prices of both restricted and freely tradable common stock, or instruments convertible into common stock. In connection with the years ended December 31, 2017 and 2016, we obtained a third-party valuation of our common stock, which was also considered in management's estimation of value of the equity instruments issued during that period. This third-party valuation was done in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation.* The estimates used by management are considered highly complex and subjective. We anticipate that once its shares begin trading, the use of such estimates will no longer be necessary to determine the fair value of its common stock.

Derivative Financial Instruments

The fair value of an embedded conversion option that is convertible into a variable amount of shares and/or warrants that include price protection reset provision features are deemed to be "down-round protection." Such conversion options do not meet the scope exception for treatment as a derivative under ASC 815 "Derivatives and Hedging" since "down-round protection" is not an input into the calculation of the fair value of conversion options and warrants. Consequently, they are not considered "indexed to the Company's own stock" which is a requirement for the scope exception under ASC 815.

The accounting treatment of derivative financial instruments requires that the Company record embedded conversion options and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period.

The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Black-Scholes option pricing model was used to estimate the fair value of the warrants and conversion options. The model includes subjective input assumptions that can materially affect the fair value estimates. The Company determined the fair value under the Binomial Lattice Model and the Black-Scholes Valuation Model to be materially the same.

Notes payable conversion options are recorded as debt discounts and are amortized as interest expense over the term of the related debt instrument.

Sequencing Policy

On October 28, 2013, as a result of entering into warrant agreements which contained a variable conversion feature with no floor, we adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all instruments issued subsequent to that date were classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors. Any warrants granted after this date were determined to be and were recorded as derivative liabilities.

Recent Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual and interim reporting periods beginning after December 15, 2015, but early adoption is permitted. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The FASB issued this ASU as part of its ongoing Simplification Initiative, with the objective of reducing complexity in accounting standards. The amendments in ASU 2015-17 require entities that present a classified balance sheet to classify all deferred tax liabilities and assets as a noncurrent amount. This guidance does not change the offsetting requirements for deferred tax liabilities and assets, which results in the presentation of one amount on the balance sheet. Additionally, the amendments in this ASU align the deferred income tax presentation with the requirements in International Accounting Standards (IAS) 1, Presentation of Financial Statements. The amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)" ("ASU 2016-09"). ASU 2016-09 requires an entity to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We are currently evaluating ASU 2016-09 and its impact on our consolidated financial statements or disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. ASU 2016-15 requires adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating ASU 2016-15 and the effects that adopting this new accounting guidance will have on its consolidated cash flows and related disclosures.

In May 2017, the FASB issued ASU 2017-09, "Compensation – Stock Compensation (Topic 718)" ("ASU 2017-09"). ASU 2017-09 provides clarity on the accounting for modifications of stock-based awards. ASU 2017-09 requires adoption on a prospective basis in the annual and interim periods for our fiscal year ending November 3, 2019 for share-based payment awards modified on or after the adoption date. We are currently evaluating ASU 2017-09 and the effects that adopting this new accounting guidance will have on its consolidated cash flows and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings Per Share (Topic 260) and Derivatives and Hedging (Topic 815) - Accounting for Certain Financial Instruments with Down Round Features" ("ASU 2017-11"). Equity-linked instruments, such as warrants and convertible instruments may contain down round features that result in the strike price being reduced on the basis of the pricing of future equity offerings. Under ASU 2017-11, a down round feature will no longer require a freestanding equity-linked instrument (or embedded conversion option) to be classified as a liability that is remeasured at fair value through the income statement (i.e. marked-to-market). However, other features of the equity-linked instrument (or embedded conversion option) must still be evaluated to determine whether liability or equity classification is appropriate. Equity classified instruments are not marked-to-market. For earnings per share ("EPS") reporting, the ASU requires companies to recognize the effect of the down round feature only when it is triggered by treating it as a dividend and as a reduction of income available to common shareholders in basic EPS. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

We have evaluated all new accounting standards that are in effect and may impact our consolidated financial statements and do not believe that there are any other new accounting standards that have been issued that might have a material impact on our financial position or results of operations.

Significant Factors, Assumptions, and Methodologies Used in Estimating Fair Value of Common Stock

Because our common stock historically was not actively traded on a public market, the fair value of our restricted equity instruments is estimated by management based on observations of the sales prices of both restricted and freely tradable common stock, or instruments convertible into common stock. During the years ended December 31, 2017 and 2016, we obtained a third-party valuation of our common stock, which was also considered in management's estimation of value of the equity instruments issued during that period. This third-party valuation was done in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation.* The estimates used by management are considered highly complex and subjective. We anticipate that once its shares begin trading, the use of such estimates will no longer be necessary to determine the fair value of its common stock

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements are presented following the signature page to this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive and Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Annual Report, management, with the participation of our Principal Executive and Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive and Financial Officer concluded that, as of December 31, 2017 and December 31, 2016, our disclosure controls and procedures were not effective due to the material weakness described herein.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weakness:

Due to a lack of financial resources, we were unable to file our annual reports on Form 10-K for the years ended December 31, 2017 and December 31, 2016 and the quarterly reports on Form 10-Q for the periods ended March 31, 2017, June 30, 2017, September 30, 2017 and March 31, 2018 on a timely basis. Management evaluated the lack of financial resources on our assessment of our reporting controls and procedures and has concluded that the control deficiency represented a material weakness.

Planned Remediation

Management's efforts to remediate the material weakness include raising funds and to seek new resources to alleviate this material weakness and to file all necessary regulatory reports on a timely basis. There can be no assurance that the necessary funds and resources will be obtained and the material weakness will be alleviated.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive and Financial Officer, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and the disposition of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2017 and 2016, due to the material weakness described above.

Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarters ended December 31, 2017 and 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

No Attestation Report of Registered Public Accounting Firm

This Annual Report does not contain an attestation report of our independent registered public accounting firm regarding internal control over financial reporting since the rules for smaller reporting companies provide for this exemption.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Below are the names and certain information regarding the Company's executive officers and directors:

Name	Age	Title(s)
Dennis Brown	68	Director (Chairman)
Itamar Shimrat	58	Chief Executive Officer, Chief Financial Officer and Director
Yoram Drucker	52	Director
David Zolty	68	Director
Ben Friedman	59	Director

Dr. Dennis M. Brown, PhD, was elected Director of the Company on June 30, 2014 and as Chairman of the Board on May 18, 2015. Dr. Brown became the Chair of our Audit Committee in September 2015. Dr. Brown is a founder and Chief Scientific Officer and director of Del Mar Pharmaceuticals (BC) Ltd. a subsidiary of DelMar Pharmaceuticals, Inc. (OTCQB: DMPI) to which he serves as a director and Chief Scientific Officer. Dr. Brown has more than thirty years of drug discovery and development experience. Since 2000 to the present, Dr. Brown has served as Chairman of Mountain View Pharmaceutical's Board of Directors and is the President of Valent. Dr. Brown has focused over the past 5 years on the development of DelMar Pharmaceuticals, serving as its Chief Scientific Officer since January 25, 2013 and Director since February 11, 2013. His extensive technical expertise, successful track record as an inventor, executive and director in the field of medical technology position him as an authoritative voice on the scientific, intellectual property, finance and commercialization and well as general management issues for Cell Source both now and in the future. In 1999 he founded ChemGenex Therapeutics, which merged with a publicly traded Australian company in 2004 to become ChemGenex Pharmaceuticals (ASX: CXS/NASDAQ: CXSP), of which he served as President and a Director until 2009. He was previously a co-founder of Matrix Pharmaceutical, Inc., where he served as Vice President (VP) of Scientific Affairs from 1985-1995 and as VP, Discovery Research, from 1995-1999. He also previously served as an Assistant Professor of Radiology at Harvard University Medical School and as a Research Associate in Radiology at Stanford University Medical School. He received his B.A. in Biology and Chemistry (1971), M.S. in Cell Biology (1975) and Ph.D. in Radiation and Cancer Biology (1979), all from New York University. Dr. Brown is an inventor of about 34 issued U.S. patents and applications, many with foreign counterparts. Dr. Brown's scientific knowledge and experience qualifies him to serve on our Board of Directors.

Itamar Shimrat, CEO, CFO and Director, is a Canadian businessman and a founding member of Cell Source Israel. Since Cell Source Israel's inception, Mr. Shimrat served as a Director, Chief Financial Officer and, in October 2013, he was appointed Chief Executive Officer. From March 2009 through September 2011, Mr. Shimrat served as Chief Financial Officer and Director of Rainbow Energy Ltd. From September 2011 through October 2013, Mr. Shimrat served as Chief Financial Officer and Director of Cell Source Ltd. From August 2012 to present, Mr. Shimrat served as Director of Step Up - Olim Madrega Inc. From October 2013 to present, Mr. Shimrat served as Chief Executive Officer and Director of Cell Source Ltd.. Previously, Mr. Shimrat served as an Executive Vice President at First International Bank of Israel from March, 2005 until April, 2008. Prior to 2008, he served as a senior manager at McKinsey& Company's Tel Aviv office after having being elected Partner at Mitchell Madison Group and consulting for Bain & Co. Mr. Shimrat led major profit improvement programs for leading corporations ranging from American Express and Barclays to El Al Airlines. He has been a Director of two private companies: Rainbow Energy Ltd., a company in the renewable energy industry, and Step Up - Olim Madrega Ltd., a company in the wheelchair industry, and also was on the Allocations Committee of Matan, a leading Israeli philanthropic organization. He holds an MBA with Distinction from the Ivey Business School of the University of Western Ontario in Canada. Itamar brings to Cell Source significant knowledge and experience in the area of corporate finance. He also has extensive experience working in foreign environments and cultures and possesses distinctive oral and written presentation skills. This positions him to be effective in both financing and corporate development both domestically and internationally.

David Zolty has been a Director of Cell Source Israel since November, 2011 and of our Board of Directors since June 30, 2014, and is a Canadian businessman who has owned and managed various Canadian enterprises since 1968. From more than five years prior through the present, Mr. Zolty served as Director of Management and Administration for Hightower Investments. In the mid 1970's David was one of the founders of TNT Appliances, a coin laundry and appliance sales and service company, primarily serving the Canadian burgeoning multi-family apartment industry. The company grew to be the second largest coin laundry in Canada and was sold in and about 2002. While owning and managing TNT, David was also involved in many real estate acquisitions both through TNT and the Zolty family real estate portfolio. Upon David's father Morris Zolty's retirement, David took a larger role in the Zolty family business where David currently holds a 12% ownership interest and has served in various roles therein for more than 5 years. David has received an honors BA and has done his post graduate work at the University of Toronto in the field of Religious Studies. He is also involved in a number of local charities and is a long standing board member of Camp Agudah Toronto, a children's summer camp which have facilities at Port Carling, Ontario. His extensive business experience and community involvement are an asset to Cell Source.

Ben Friedman, BBA, BGS, LLB, has been a Director of Cell Source Israel since November, 2011 and of our Board of Directors since June 30, 2014, and is a Canadian business executive with over 25 years' experience in real estate and commerce. From more than five years prior through the present, Mr. Friedman served as Director and Vice President of Ranee Management. Since 1985, he has served as Owner and CEO of Saucham Holdings Ltd., a private real estate holding and development company active throughout Canada. He is, and has been for more than five years, a managing partner and Director of The Zolty Group, a private company specializing in the development and ownership of high rise multi-unit residential buildings in Canada and the United States. He continues to act as Director of numerous private business related enterprises in the high tech, medical, and laser technology fields, and is a Director of an array of non-profit educational and vocational institutions. Mr. Friedman's experience as both an executive, along with his degrees in both business and law, position him well to help guide Cell Source through its development.

Yoram Drucker, a Director, is an Israeli entrepreneur who has previously been involved in the development of two successful cell therapy technology firms. Mr. Drucker became a member of our Audit Committee in September 2015 and is the audit committee financial expert. From March 2009 through September 2011, Mr. Drucker served as Chief Executive Officer and Chairman of Rainbow Energy Ltd. From September 2011 through October 2013, Mr. Drucker served as Chief Executive Officer until October 2013 and Chairman of Cell Source Ltd. From October 2013 until May 20159, Mr. Drucker served as Chairman of Cell Source Ltd. He was a founding member of the cell stem therapy company Brainstorm (NASDAQ: BCLI). He served as COO in 2004 and CEO from 2005 to 2007. He was also among the founders of Pluristem (listed on the NASDAQ), also a cell therapy company, and was a Director in 2004 and 2005. In 2007 he was a seed investor and VP Business Development in a renewable energy technology firm called Millennium Electric TOU Ltd. Since March 2008 he was a Director of a private renewable energy company called Rainbow Energy, where he actively served as CEO from then until November of 2011. From 1996 to 2003 he served as business and marketing consulting and campaign execution in varied industries ranging from real estate development to insurance. He is an honors graduate of the Abudi College of Advertising and Marketing. Yoram brings significant experience in capital markets in the US and in developing Israeli based cell therapy companies from inception through financing over-the-counter and commencing clinical trials. His understanding of both the financial and the technical side of early stage corporate development has and will continue to be of great value to Cell Source.

The Company's directors are elected at the annual meeting of shareholders to hold office until the annual meeting of shareholders for the ensuing year or until their successors have been duly elected and qualified. Officers are elected annually by the Board of Directors and serve at the discretion of the Board.

Board Leadership Structure and Role in Risk Oversight

Due to the small size and early stage of the Company, we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined. Dr. Brown serves as the Chairman whereas Mr. Shimrat will serve as the Chief Executive Officer.

Our Board of Directors ("Board") is primarily responsible for overseeing our risk management processes on behalf of the Company. The Board receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. In addition, the Board focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensures that risks undertaken by our Company are consistent with the board's appetite for risk. While the Board oversees our company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our board leadership structure supports this approach.

Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
4. being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Code of Ethics

We have not adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions because of the small number of persons involved in the management of the Company.

Board Meetings and Attendance

During the year ended December 31, 2017, the Company's Board of Directors held five meetings and acted by written consent on four occassions. During the year ended December 31, 2016, the Company's Board of Directors held seven meetings and acted by written consent on three occasions. All of our Directors were present at the meetings.

Nominating Committee

We have not adopted any procedures by which security holders may recommend nominees to our Board of Directors.

Audit Committee

In September 2015, the Board of Directors approved the formation of the Audit Committee of the Board of Directors that operates under a charter that has been approved by the Board of Directors. The Audit Committee of the Board of Directors is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements. The members of the Audit Committee are Messrs. Brown (Chair) and Drucker.

The Board of Directors has determined that Mr. Drucker is an "audit committee financial expert," as that is defined in Item 407(d)(5) of Regulation S-K Mr. Drucker is an "independent director" based on the definition of independence in Listing Rule 5605(a)(2) of The Nasdaq Stock Market.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of the issued and outstanding shares of our common stock to file reports of initial ownership of common stock and other equity securities and subsequent changes in that ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, during the fiscal years ended December 31, 2017 and 2016, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, except that a Form 4 for each of Yoram Drucker and Itamar Shimrat was filed late in 2016, resulting in one transaction not being reported on a timely basis for each of such individuals.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth all compensation earned in respect of the Company's principal executive officer ("PEO") for 2017, 2016 and 2015:

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
Itamar Shimrat	2017	$ 179,064	$ -	$ -	$ -	$ -	$ 179,064
Chief Executive Officer	2016	$ 184,728	$ -	$ -	$ -	$ -	$ 184,728
	2015	$ 181,198	$ -	$ -	$ 212,000 (1)	$ -	$ 393,198

(1) On November 10, 2014, in connection with the effectiveness of the Registration Statement, the Company became obligated to issue to certain founders of Cell Source Limited (including Itamar Shimrat) five-year warrants to purchase an aggregate of 3,000,000 shares of common stock at an exercise price of $0.75 per share. The warrants were issued during the year ended December 31, 2015. The amount above represents the grant date fair value of the warrant to purchase 750,000 shares of common stock issued to Itamar Shimrat during the years ended December 31, 2015, calculated in accordance with FASB ASC Topic 718. For a detailed discussion of the assumptions used in estimating fair values, see Note 4 – Fair Value in the notes that accompany our consolidated financial statements.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on outstanding equity awards as of December 31, 2017 and 2016 to the Named Executive Officers:

	Option Awards					Stock Awards			
Name	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options	Option exercise price	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares of units that have not vested	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested
Itamar Shimrat	750,000	-	-	$ 0.75	11/10/2019	-	$ -	-	$ -

Director Compensation

The following table sets forth certain information concerning the compensation of our non-employee directors for the fiscal years ended December 31, 2017 and 2016:

	Year	Fees Earned or Paid In Salary	Stock Awards	Option Awards	Change in Present Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Dennis Brown	2017	$ -	$ -	$ -	$ -	$ -	$ -
	2016	$ -	$ -	$ -	$ -	$ -	$ -
Yoram Drucker	2017	$ -	$ -	$ -	$ -	$ -	$ -
	2016	$ -	$ -	$ -	$ -	$ -	$ -
David Zolty	2017	$ -	$ -	$ -	$ -	$ -	$ -
	2016	$ -	$ -	$ -	$ -	$ -	$ -
Ben Friedman	2017	$ -	$ -	$ -	$ -	$ -	$ -
	2016	$ -	$ -	$ -	$ -	$ -	$ -

Risk Management

The Company does not believe risks arising from its compensation policies and practices for its employees are reasonably likely to have a material adverse effect on the Company.

Compensation Committee Interlocks and Insider Participation

Currently, the Board of Directors does not have a standing compensation committee, or a committee performing similar functions. During the fiscal years ended 2017 and 2016, the entire Board of Directors deliberated with respect to executive compensation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information, as of the dates set forth below, with respect to the beneficial ownership of the outstanding Common Stock by (i) any holder of more than five (5%) percent; (ii) each of the Company's executive officers and directors; and (iii) the Company's directors and executive officers as a group. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned.

Name and Address of Beneficial Owner (10)	As of July 23, 2018 Amount and Nature of Beneficial Ownership (1)		Percentage of Class (2)
Directors and Officers:			
Yoram Drucker, Director	1,125,004	(3)	4.34%
Itamar Shimrat, Chief Executive Officer, Chief Financial Officer and Director	1,301,110	(4)	4.99%
David Zolty, Director	1,108,318	(5)	4.99%
Ben Friedman, Director (6)	4,383,344	(7)	17.76%
Dennis Brown, Director (Executive Chairman)	200,000	(8)	*
All directors and executive officers as a group (5 persons)	8,117,776		30.36%
Yeda Research & Development Co. Ltd. P.O. Box 95 Rehovot, 76100, Israel	1,270,439	(9)	4.99%

* less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 23, 2018 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Based on 25,349,236 shares issued and outstanding as of July 23, 2018.

(3) Includes a five-year warrant to purchase 550,000 shares of common stock with an exercise price of $0.75 per share.

(4) Includes 725,136 shares of a five-year warrant to purchase 750,000 shares of common stock with an exercise price of $0.75 per share, which warrant is subject to a 4.99% conversion limitation.

(5) Includes a five-year warrant to purchase 12,500 shares of common stock with an exercise price of $0.75 per share.

(6) Mr. Friedman's beneficial ownership includes shares beneficially owned by his wife, Phyllis Friedman.

(7) Excludes a five-year warrant to purchase 50,000 shares of common stock with an exercise price of $0.75 per share, which warrant is subject to a 4.99% conversion limitation.

(8) Includes a five-year warrant to purchase 100,000 shares of common stock with an exercise price of $0.75 per share.

(9) Includes 110,467 shares of a five-year warrant to purchase 1,995,376 shares of common stock with an exercise price of $0.001 per share, which warrant is subject to a 4.99% conversion limitation.

(10) Except as otherwise indicated, the address of each beneficial owner is c/o Cell Source, Inc., 57 West 57th Street, Suite 400, New York, New York 10019.

Name and Address of Beneficial Owner (10)	As of December 31, 2016 Amount and Nature of Beneficial Ownership (1)		Percentage of Class (2)
Directors and Officers:			
Yoram Drucker, Director	1,125,004	(3)	4.46%
Itamar Shimrat, Chief Executive Officer, Chief Financial Officer and Director	1,265,974	(4)	4.99%
David Zolty, Director	1,108,318	(5)	4.49%
Ben Friedman, Director (6)	4,383,344	(7)	17.76%
Dennis Brown, Director (Executive Chairman)	200,000	(8)	*
All directors and executive officers as a group (5 persons)	8,082,640		31.05%
Yeda Research & Development Co. Ltd. P.O. Box 95 Rehovot, 76100, Israel	1,235,251	(9)	4.99%

* less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of December 31, 2016 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Based on 24,679,256 shares issued and outstanding as of December 31, 2016.

(3) Includes a five-year warrant to purchase 550,000 shares of common stock with an exercise price of $0.75 per share.

4) Includes 690,970 shares of a five-year warrant to purchase 750,000 shares of common stock with an exercise price of $0.75 per share, which warrant is subject to a 4.99% conversion limitation.

5) Includes a five-year warrant to purchase 12,500 shares of common stock with an exercise price of $0.75 per share.

(6) Mr. Friedman's beneficial ownership includes shares beneficially owned by his wife, Phyllis Friedman.

(7) Excludes a five-year warrant to purchase 50,000 shares of common stock with an exercise price of $0.75 per share, which warrant is subject to a 4.99% conversion limitation.

(8) Includes a five-year warrant to purchase 100,000 shares of common stock with an exercise price of $0.75 per share.

(9) Includes 75,279 shares of a five-year warrant to purchase 1,995,376 shares of common stock with an exercise price of $0.001 per share, which warrant is subject to a 4.99% conversion limitation.

(10) Except as otherwise indicated, the address of each beneficial owner is c/o Cell Source, Inc., 57 West 57th Street, Suite 400, New York, New York 10019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

In March, 2014, the Company issued two six-month notes payable in the aggregate principal amount of $100,000 to Itamar Shimrat, the Company's Chief Executive Officer. The notes bear interest at a rate of 6% per annum payable at maturity. In May 2015, the Chief Executive Officer agreed to extend the maturity dates of the notes from May 2015 to October 30, 2015. In November 2015, the Chief Executive Officer agreed to a further extension of the maturity dates to March 31, 2016. On March 31, 2016, the Company repaid one of the $50,000 notes in full and the Chief Executive Officer agreed to extend the maturity date of the other $50,000 note to June 30, 2016. The maturity date of the note was subsequently extended to September 30, 2016 and December 31, 2016.

The Company maintains an exclusive worldwide license to certain intellectual property of Yeda, the commercial arm of the Weizmann Institute, which currently owns 1,159,972 shares of Company common stock and warrants to purchase 1,995,376 shares of Company common stock at $0.001 per share. Dr. Reisner, who leads a team at the Weizmann Institute, holds 1,159,972 shares of Company common stock and warrants to purchase 48,459 shares of Company common stock at $0.001 per share. See the section entitled "Intellectual Property" in this Annual Report on Form 10-K.

On March 29, 2016, the Company exercised its option pursuant to an October 3, 2011 exclusive option agreement with Yeda, as amended, such that the Company attempted to negotiate an agreement with Yeda whereby the Company would exclusively license certain organ regeneration technology from Yeda. On September 22, 2016, the Company notified Yeda of its decision to not exclusively license certain organ regeneration technology from Yeda.

On November 28, 2016, the Company and Yeda executed an amendment to the research and license agreement. Under the terms of the amended research and license agreement, Yeda granted the Company an exclusive worldwide license for the licensed information and the patents for the development, manufacture and sale of the products derived therefrom. In consideration for the grant of the license, the Company committed to engage Yeda to perform research services in the amount of $800,000 per annum through October 3, 2018. In addition, the Company is obliged to pay Yeda an annual license fee of $50,000 until the end of the research period and a royalty of four percent (4%) of net future sales by the Company or any sublicensees. Prior to the November 28, 2016 amendment, the Company was required to make a $200,000 payment to Yeda within seven (7) days of the achievement of the Company of the receipt of an aggregate total equity capital investment in the Company of more than $10,000,000, (the "Amended Additional Research Payment"). As a result of this amendment, the Company no longer has an obligation to Yeda for the Amended Additional Research Payment.

In March 2018, the License Agreement was amended to reduce the Company's funding obligation for the period from October 2017 through September 2018 to $500,000 and $100,000 for the period from October 2018 through June 2019. In addition, the License Agreement was amended to provide that the Company will fund an additional $100,000 of research during 2018 and the Company's obligation to fund the original research was reduced by $50,000. The Company funded the additional $100,000 of additional research in April 2018 and $50,000 is being credited against the amount that would otherwise be funded by the Company for the period from July 2018 through September 2018. After giving effect to these amendments and this credit, the Company is required to fund $100,000 for the three month period ending June 30, 2018, $50,000 for the three month period ending December 2018, $25,000 for the three month period ending March 2019 and $25,000 for the three month period ending June 2019. In addition, the amendments amended the milestones and related completion dates. If the Company fails to achieve any of the milestones by the dates set forth in the agreement, Yeda is entitled to terminate the license upon written notice to the Company. To date, the Company has been deemed to have met all of the milestones and the next milestone in the agreement is January 1, 2022. Either Yeda or the Company may terminate the agreement and the license after the commitment of a material breach by the other party and in certain other instances as detailed in the agreement.

For the years ended December 31, 2017, 2016 and 2015, the Company recorded a charge to operations of approximately $840,000, $813,000 and $830,000, respectively related to its research and license agreement with Yeda. At December 31, 2017, 2016 and 2015, approximately $0, $0 and $208,000, respectively was accrued and is payable to Yeda.

On July 20, 2015, the Company issued a one-year note payable in the principal amount of $100,000 to David Zolty, a member of its Board of Directors. The note is non-interest bearing. The note must be prepaid in whole from the proceeds of any closing after the issuance date, of any offering or offerings pursuant to which the Company receives aggregate gross proceeds greater than or equal to $3,000,000. In consideration of the loan, a four-year warrant to purchase 100,000 shares of common stock at an exercise price of $0.75 per share was issued by the Company to Mr. Zolty. The warrant contains an exercise limitation such that at no time may the warrant be exercised if the shares of common stock to be issued upon such exercise would exceed, when aggregated with all other shares of common stock owned by the holder (or his permitted successors or assigns), 4.99% of the issued and outstanding shares of the common stock of the Company. Because the principal amount of the note was not paid by the Company on or before July 20, 2016, the Company is required under the terms of the note to (i) pay to Mr. Zolty a one-time cash penalty payment of five percent (5%) of the principal amount of the note due and unpaid on such date, and (ii) issue to Mr. Zolty a warrant to purchase, at an exercise price of $0.75 per share, the number of shares the Company's common stock equal to the product of (a) the principal amount of the note due and unpaid on July 20, 2015 and (b) ten percent (10%). As a result of the Company's failure to make the required payments and Mr. Zolty's agreement to extend the maturity date from July 20, 2016 to January 24, 2017, the Company issued Mr. Zolty a three year warrant to purchase 60,000 shares of common stock at an exercise price of $0.75 per share. The Company owes Mr. Zolty a $5,000 late fee as a result of the payment failure.

On November 10, 2015, the Company issued warrants to purchase an aggregate of 2,400,000 shares of common stock at an exercise price of $0.75 per share to certain founders of Cell Source Limited. The warrants expire on November 10, 2019.

In May 2017, the Company received a loan of $180,000 from an entity owned by Ben Friedman and a loan of $45,000 from an entity owned by David Zolty. Each of Mr. Friedman and Mr. Zolty is a director of the Company. The loans are non-interest bearing and became due on May 18, 2018.

During the year ended December 31, 2016, the Company received a non-interest bearing short term advance in the amount of $134,000 from a director of the Company. Because the Company did not repay the advance by February 10, 2016, the Company was required to issue the director a four-year warrant to purchase 134,000 shares of common stock at an exercise price of $0.75 per share. The Company repaid the director $67,000 in 2016 and accrued a liability of $19,177 for the warrants due to the director.

Director Independence

None of our directors are independent, as that term is defined under the Nasdaq Marketplace Rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following is a summary of fees for professional services rendered by our independent registered public accounting firm for the years ended December 31, 2017, 2016 and 2015:

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Audit Fees	$ 73,000	$ 123,000	$ 111,000
Tax fees	--	--	3,605
All other fees	--	--	--
	$ 73,000	$ 123,000	$ 114,605

Audit fees represent fees for professional services performed for the audit of our annual financial statements and the review of our quarterly financial statements, as well as services that are normally provided in connection with statutory and regulatory filings or engagements.

All other fees consist of fees billed for all other services.

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accountants, and approves in advance any services to be performed by the independent registered public accountants, whether audit-related or not. The Audit Committee reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent registered public accountants. The fees shown above were pre-approved either by our Board or our Audit Committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Financial Statements

See Index to Financial Statements immediately following the signature page of this Annual Report.

Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Exhibits

The following exhibits are included as part of this Annual Report:

Exhibit Number	Description
2.1 (1)	Share Exchange Agreement, dated June 30, 2014, by and between Cell Source, Ltd., and Ticket to See, Inc.
3.1 (1)	Articles of Association of Cell Source Limited, dated August 14, 2011, as amended on November 11, 2013
3.2 (2)	Articles of Incorporation of Ticket to See, Inc., dated June 6, 2012
3.3 (3)	Certificate of Amendment to Articles of Incorporation of Ticket to See, Inc., dated June 23, 2014
3.3 (4)	Certificate of Amendment to Articles of Incorporation of Ticket to See, Inc., dated May 20, 2014
3.4 (2)	Bylaws of Cell Source, Inc., dated June 6, 2012
3.5 *	Certificate of Designation with respect to Series A Preferred Stock dated November 14, 2016
10.1 (1)	Form of Subscription Agreement
10.2 (1)	Form of Registration Rights Agreement
10.3 (1)	Form of Investor Warrant
10.4 (1)	Form of Consultant Warrant(8)
10.5 (1)	Form of Researcher Company Warrant
10.6 (1)	Form of Company Warrant
10.7 (1)	Form of Lockup Agreement (included in Exhibit 2.1)
10.8 (1)	Research and License Agreement by and between Yeda Research and Development Company Limited and Cell Source Limited, dated October 3, 2011
10.9 (1)	Amendment to Research and License Agreement
10.10 (1)	Evaluation and Exclusive Option Agreement by and between Yeda Research and Development Company Limited and Cell Source Limited, dated Oct. 3, 2011 (included in Exhibit 10.7)
10.11 (1)	Amendment dated April 1, 2014 to Evaluation and Exclusive Option Agreement by and between Yeda Research and Development Company Limited and Cell Source Limited
10.12 (1)	Second Amendment dated June 22, 2014 to Evaluation and Exclusive Option Agreement by and between Yeda Research and Development Company Limited and Cell Source Limited
10.13 (1)	Consulting Agreement by and between Cell Source Limited and Professor Yair Reisner
10.14 (6)	Form of Amendment No. 1 to Registration Rights Agreement
10.15 (7)	Bridge Funding Agreement
10.16 (5)	Third Amendment dated June 22, 2014 to Evaluation and Exclusive Option Agreement by and between Yeda Research and Development Company Limited and Cell Source Limited
10.17 (8)	Form of Consulting Agreement pursuant to which the Company issued warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock
10.18 (9)	Form of Promissory Note issued to the Company's Chief Executive Officer
10.19(10)	Form of March 2015 Promissory Note
10.20(10)	Form of March 2015 Warrant
10.21(11)	Form of Note Amendment Letter Agreement
10.22(11)	Form of May 2015 Note
10.23(11)	Form of May 2015 Warrant
10.24(12)	Form of Advisory/Consulting Agreement
10.25(13)	Zolty Promissory Note
10.26(13)	Zolty Warrant
10.27(13)	Form of July 2015 Convertible Promissory Note

10.28(13)	Form of July 2015 Warrant
10.29(15)	Form of Bridge Note Subscription Agreement
10.30(15)	Form of Convertible Note
10.31(15)	Form of March 2016 Note
10.32(15)	Form of March 2016 Warrant
10.33 *	Form of July 2016 Warrants
10.34 *	Second Amendment to Research and License Agreement dated as of Novmber 28, 2016 between the Company and Yeda Research and Development Company Limited
10.35 *	Third Amendment to Research and License Agreement dated as of March 29, 2018 between the Company and Yeda Research and Development Company Limited
10.36 *	Fourth Amendment to Research and License Agreement dated as of March 30, 2018 between the Company and Yeda Research and Development Company Limited
10.37(16)	Convertible Note due July 27, 2016
10.38(17)	Promissory Note dated May 10, 2016
16.1(1)	Letter from Paritz & Company, P.A.
21(14)	Subsidiaries
31.1 *	Certification of principal executive and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 *	Certification of principal executive and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2014.
(2) Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 6, 2012.
(3) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 26, 2014.
(4) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 6, 2014.
(5) Incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 19, 2014.
(6) Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 8, 2014.
(7) Incorporated by reference to the Company's Registration Statement Form S-1/A filed with the Securities and Exchange Commission on September 23, 2014.
(8) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 30, 2014.
(9) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on December 2, 2014.
(10) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on April 1, 2015.
(11) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 3, 2015.
(12) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 10, 2015.
(13) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on July 28, 2015.
(14) Incorporated by reference to the Company's Form 10-K filed with the Securities and Exchange Commission on March 13, 2015.
(15) Incorporated by reference to the Company's Form 10-K filed with the Securities and Exchange Commission on April 14, 2016.
(16) Incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 13, 2016.
(17) Incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 15, 2016.
* Filed Herewith

SIGNATURES

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

CELL SOURCE, INC.

Dated: July 24, 2018

By:/s/ Itamar Shimrat
Name: Itamar Shimrat
Title: Chief Executive Officer and Chief Financial Officer (Principal Executive, Financial and Accounting Officer)

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

SIGNATURE	*TITLE*	*DATE*
By: /s/ Dennis Brown Dennis Brown	Chairman	July 24, 2018
By: /s/ Itamar Shimrat Itamar Shimrat	Chief Executive Officer, Chief Financial Officer and Director (Principal Executive, Financial and Accounting Officer)	July 24, 2018
By: /s/ Ben Friedman Ben Friedman	Director	July 24, 2018
By: /s/ Yoram Drucker Yoram Drucker	Director	July 24, 2018
By: /s/ David Zolty David Zolty	Director	July 24, 2018

CELL SOURCE, INC. & SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Cell Source, Inc. and Subsidiary

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet **s** of Cell Source, Inc. and Subsidiary (the "Company") as of December 31, 2017, 2016 and 2015, the related consolidated statements of operations, changes in stockholders' deficiency and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum llp

Marcum llp

We have served as the Company's auditor since 2014.

New York, NY
July 24, 2018

CELL SOURCE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31,		
	2017	**2016**	**2015**
Assets			
Current Assets:			
Cash	$ 371,048	$ 3,735	$ 6,944
Prepaid expenses	124,693	136,631	71,882
Other current assets	35,936	70,330	134,736
Total Current Assets	531,677	210,696	213,562
Property, plant and equipment, net	-	407	1,267
Total Assets	$ 531,677	$ 211,103	$ 214,829
Liabilities and Stockholders' Deficiency			
Current Liabilities:			
Accounts payable	$ 201,824	$ 219,094	$ 119,862
Accrued expenses	821,244	875,212	441,485
Accrued expenses - related party	-	-	207,955
Accrued interest	248,746	257,401	25,138
Accrued interest - related parties	13,310	10,310	6,674
Accrued compensation	626,758	507,162	324,672
Accrued compensation - related party	19,262	19,177	-
Advances payable	100,000	302,426	450,000
Notes payable, net of debt discount of $89,326, $49,050 and $41,600 as of December 31, 2017, 2016 and 2015, respectively	1,173,674	1,813,950	708,400
Notes payable - related parties, net of debt discount of $0, $2,300 and $19,300 as of December 31, 2017, 2016 and 2015, respectively	150,000	147,700	180,700
Convertible notes payable, current portion, net of debt discount of $34,173, $256,280 and $214,550 as of December 31, 2017, 2016 and 2015, respectively	800,827	1,126,220	180,450
Convertible notes payable - related parties, net of debt discount of $28,356, $0 and $0 as of December 31, 2017, 2016 and 2015, respectively	196,644	-	-
Derivative liabilities	628,200	1,175,400	3,279,600
Accrued dividend payable	108,562	-	-
Total Current Liabilities	5,089,051	6,454,052	5,924,936
Convertible notes payable, non-current portion, net of debt discount of $0, $0 and $288,832 at December 31, 2017, 2016 and 2015, respectively	-	-	43,668
Accrued interest, non-current portion	-	-	4,474
Total Liabilities	5,089,051	6,454,052	5,973,078
Commitments and contingencies (Note 11)	-	-	-
Stockholders' Deficiency:			
Convertible Preferred Stock, $0.001 par value, 10,000,000 shares authorized; Series A Convertible Preferred Stock, 1,335,000 shares designated, 643,790, 0 and 0 shares issued and outstanding as of December 31, 2017, 2016 and 2015, respectively; and liquidation preference of $4,936,987, $0 and $0 as of December 31, 2017, 2016 and 2015, respectively	644	-	-
Common Stock, $0.001 par value, 200,000,000 shares authorized, 25,349,236, 24,679,256 and 23,929,256 shares issued and outstanding as of December 31, 2017, 2016 and 2015, respectively	25,349	24,679	23,929
Additional paid-in capital	9,969,520	5,202,749	4,720,417
Accumulated deficit	(14,552,887)	(11,470,377)	(10,502,595)
Total Stockholders' Deficiency	(4,557,374)	(6,242,949)	(5,758,249)
Total Liabilities and Stockholders' Deficiency	$ 531,677	$ 211,103	$ 214,829

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

CELL SOURCE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Operating Expenses:			
Research and development	$ 637,318	$ 554,185	$ 392,925
Research and development - related parties	839,538	812,638	829,970
Selling, general and administrative	815,947	951,783	1,097,580
Total Operating Expenses	2,292,803	2,318,606	2,320,475
Loss From Operations	(2,292,803)	(2,318,606)	(2,320,475)
Other (Expense) Income:			
Interest expense	(174,970)	(243,425)	(32,612)
Interest expense - related parties	(3,000)	(3,000)	(3,000)
Amortization of debt discount	(389,218)	(1,238,351)	(340,668)
Amortization of debt discount - related parties	(48,944)	(35,000)	(15,600)
Change in fair value of derivative liabilities	590,173	2,870,600	208,250
Loss on exchange of notes payable for preferred shares	(725,355)	-	-
Loss on exchange of warrants for common shares	(38,393)	-	-
Total Other (Expense) Income	(789,707)	1,350,824	(183,630)
Net Loss	(3,082,510)	(967,782)	(2,504,105)
Dividend attributable to Series A preferred stockholders	(240,559)	-	-
Net Loss Applicable to Common Stockholders	$ (3,323,069)	$ (967,782)	$ (2,504,105)
Net Loss Per Common Share - Basic and Diluted	$ (0.12)	$ (0.04)	$ (0.10)
Weighted Average Common Shares Outstanding - Basic and Diluted	26,774,860	26,193,639	25,718,570

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

CELL SOURCE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Convertible Preferred Stock - Series A		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficiency
Balance, December 31, 2014	-	$ -	23,579,256	$ 23,579	$4,191,183	$ (7,998,490)	$ (3,783,728)
Common Stock issued as debt discount in connection with issuance of convertible notes payable	-	-	250,000	250	71,150	-	71,400
Stock-based compensation:							
Common stock	-	-	100,000	100	39,900	-	40,000
Warrants	-	-	-	-	418,184	-	418,184
Net loss	-	-	-	-	-	(2,504,105)	(2,504,105)
Balance, December 31, 2015	-	$ -	23,929,256	$ 23,929	$4,720,417	$ (10,502,595)	$ (5,758,249)
Common Stock issued as debt discount in connection with issuance of convertible notes payable	-	-	750,000	750	186,750	-	187,500
Elimination of liability due to related party in connection with revision of contract terms	-	-	-	-	200,000	-	200,000
Stock-based compensation - warrants	-	-	-	-	95,582	-	95,582
Net loss	-	-	-	-	-	(967,782)	(967,782)
Balance, December 31, 2016	-	$ -	24,679,256	$ 24,679	$5,202,749	$ (11,470,377)	$ (6,242,949)
Issuance of Series A Convertible Preferred Stock for cash, net of offering expenses of $54,543	306,759	307	-	-	2,240,277	-	2,240,584
Issuance of Series A Convertible Preferred Stock in exchange for advances payable	23,834	24	-	-	178,722	-	178,746
Issuance of Series A Convertible Preferred Stock in exchange for notes payable	281,697	282	-	-	2,112,452	-	2,112,734
Issuance of Series A Convertible Preferred Stock as debt discount in connection with the issuance of notes payable	24,000	24	-	-	119,976	-	120,000
Issuance of Series A Convertible Preferred and Common Stock in connection with the extension of notes payable	7,500	7	243,750	244	116,937	-	117,188
Series A Convertible Preferred Stock dividends:							
Accrual of earned dividends	-	-	-	-	(240,559)	-	(240,559)
Payment of dividends in-kind	-	-	176,230	176	131,997	-	132,173
Issuance of Common Stock in exchange for surrender of warrants	-	-	250,000	250	62,250	-	62,500
Stock-based compensation:							
Warrants	-	-	-	-	44,719	-	44,719
Net loss	-	-	-	-	-	(3,082,510)	(3,082,510)
Balance, December 31, 2017	643,790	$ 644	25,349,236	$ 25,349	$9,969,520	$ (14,552,887)	$ (4,557,374)

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

CELL SOURCE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,		
	2017	**2016**	**2015**
Cash Flows From Operating Activities:			
Net loss	$ (3,082,510)	$ (967,782)	$ (2,504,105)
Adjustments to reconcile net loss to net cash used in operating activities:			
Change in fair value of derivative liabilities	(590,173)	(2,870,600)	(208,250)
Amortization of debt discount	438,162	1,273,351	356,268
Loss on exchange of notes payable for equity	725,355	-	-
Loss on exchange of warrants for common shares	38,393	-	-
Depreciation	407	860	860
Stock-based compensation:			
Common stock	-	-	100,000
Warrants	44,719	114,759	35,884
Changes in operating assets and liabilities:			
Prepaid expenses	(23,105)	(39,949)	156,474
Other current assets	34,394	64,406	(108,662)
Def financing costs	-	-	(152,932)
Accounts payable	(17,270)	99,232	323,853
Accrued expenses	(134,671)	410,703	-
Accrued expenses - related parties	-	(7,955)	-
Accrued interest	155,804	242,789	-
Accrued interest - related parties	3,000	3,636	-
Accrued compensation	119,681	182,490	-
Net Cash Used In Operating Activities	(2,287,814)	(1,494,060)	(2,000,610)
Cash Flows From Financing Activities:			
Proceeds from issuance of notes payable	135,000	1,503,000	1,577,500
Proceeds from issuance of notes payable - related party	225,000	-	-
Repayment of note payable - related party	-	(50,000)	-
Payment of debt issuance costs	-	(44,575)	(39,426)
Deferred financing costs	-	(20,000)	-
Proceeds from issuance of preferred stock - Series A	2,295,127	-	-
Proceeds from cash advances	-	102,426	450,000
Net Cash Provided By Financing Activities	2,655,127	1,490,851	1,988,074
Net Increase (Decrease) In Cash	367,313	(3,209)	(12,536)
Cash - Beginning of Year	3,735	6,944	19,480
Cash - End of Year	$ 371,048	$ 3,735	$ 6,944
Supplemental Disclosures of Cash Flow Information:			
Non-cash investing and financing activities:			
Preferred stock issued in exchange for notes and advances payable	$ 2,291,480	$ -	$ -
Reduction of additional paid-in capital for public offering issuance costs that were previously paid	$ (54,543)	$ -	$ -
Accrual of earned preferred stock dividends	$ (240,559)	$ -	$ -
Common stock issued in connection with payment of Series A Convertible Preferred Stock dividends in-kind	$ 132,173	$ -	$ -
Common stock issued in connection with exchange of warrants	$ 62,500	$ -	$ -
Stock issued in connection with issuances and extensions of notes payable	$ 237,188	$ 187,500	$ 71,400
Warrants and conversion options issued in connection with issuance and extension of notes payable	$ 67,080	$ 761,600	$ 650,150
Accrual of deferred financing costs	$ -	$ -	$ 159,574
Advances payable exchanged for a convertible note	$ -	$ 250,000	$ -
Elimination of liability due to related party in connection with revision of contract terms and recored as an increase to additional paid-in capital	$ -	$ 200,000	$ -
Accrued interest converted into convertible note	$ -	$ 15,000	$ -
Warrants issued in connection with deferred financing costs	$ -	$ 4,800	$ -

Reclassification of warrants to derivative liabilities	~~$ —~~	~~$ —~~	~~$ 482,300~~

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

Note 1 – Business Organization and Nature of Operations

Cell Source, Inc. ("Cell Source", "CSI" or the "Company") is a Nevada corporation formed on June 6, 2012 that is the parent company of Cell Source Limited ("CSL"), which was founded in Israel in 2011 in order to commercialize a suite of inventions relating to certain cancer treatments. The Company is a biotechnology company focused on developing cell therapy treatments based on the management of immune tolerance. The Company's lead prospective product is its patented Veto Cell immune system management technology, which is an immune tolerance biotechnology that enables the selective blocking of immune responses. CSL's Veto Cell immune system management technology is based on technologies patented, owned, and licensed to Cell Source Limited by Yeda Research and Development Company Limited, an Israeli corporation ("Yeda"). The Company's target indications include: lymphoma, leukemia and multiple myeloma through the facilitation of safer and more accessible stem cell (e.g. bone marrow) transplantation acceptance, treatment of end stage kidney disease and other non-malignant organ diseases through improved organ transplantation (broadened donor pool, reduced dependence on post-transplant anti-rejection therapy), and ultimately treating a variety of cancers and non-malignant diseases.

Note 2 – Going Concern and Management Plans

During the years ended December 31, 2017, 2016, and 2015, the Company had not generated any revenues, had recurring net losses of $3,083,000, $968,000, and $2,504,000, and used cash in operations of $2,288,000, $1,494,000 and $2,001,000, respectively. As of December 31, 2017, 2016, and 2015, the Company had a working capital deficiency of $4,557,000, $6,243,000, and $5,711,000, respectively. In addition, as of December 31, 2017, the Company had an accumulated deficit of approximately $14,553,000. Subsequent to December 31, 2017, and as more fully described in Note 13, *Subsequent Events*, the Company received $500,000 through the issuance of short term notes payable and $50,000 through the issuance of Series A Convertible Preferred Stock. These conditions raise substantial doubt about the Company's ability to continue as a going concern within twelve months from the date these financial statements are issued.

The Company's primary source of operating funds since inception has been equity and debt financings. Management's plans include continued efforts to raise additional capital through debt and equity financings. There is no assurance that these funds will be sufficient to enable the Company to fully complete its development activities or attain profitable operations. If the Company is unable to obtain such additional financing on a timely basis or, notwithstanding any request the Company may make, if the Company's debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, the Company may have to curtail its development, marketing and promotional activities, which would have a material adverse effect on the Company's business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations and liquidate.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The Company's financial statements are consolidated and include the accounts of CSI and CSL. All significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and the amounts disclosed in the related notes to the financial statements. Management bases its estimates and judgements on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and the amounts of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, fair value calculations for equity securities, establishment of valuation allowances for deferred tax assets, stock-based compensation, contingencies, the recoverability and useful lives of long-lived assets and the recovery of deferred costs. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the consolidated financial statements in the period that they are determined to be necessary. See the *Stock-Based Compensation* section of this footnote for additional discussion of the use of estimates in estimating the fair value of the Company's common stock.

Cash and Cash Equivalents

The Company considers all highly-liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2017, 2016, and 2015, the Company did not have any cash equivalents. The Company maintains cash in bank accounts, which, at times, may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. The Company has not experienced any losses in such accounts, periodically evaluates the creditworthiness of the financial institutions and has determined the credit exposure to be negligible. As of December 31, 2017, the Company had domestic cash balances in excess of FDIC insured limits of $88,298.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation which is recorded using the straight-line method at a rate sufficient to charge the cost of depreciable assets to operations over the estimated useful life, which is three years. Maintenance and repairs are charged to operations as incurred. As of December 31, 2017, 2016 and 2015, accumulated depreciation was $2,582, $2,175 and $1,315, respectively. During the years ended December 31, 2017, 2016 and 2015, depreciation expense was $407, $860 and $860, respectively.

Income Taxes

Cell Source, Inc. is the parent of Cell Source Limited, a wholly owned Israeli subsidiary, which files tax returns in Israel.

The Tax Cuts and Jobs Act (the "Act") was enacted in the United States in December 2017. Among other things, the primary provision of the Act impacting the Company is the reduction to the U.S. corporate income tax rate from 35% to 21%, eliminating certain deductions and imposing a mandatory one-time transition tax on accumulated earnings of foreign subsidiaries. The change in tax law required the Company to remeasure existing net deferred tax assets using the lower rate in the period of enactment resulting in an income tax expense of approximately $430,000 which is fully offset by a corresponding tax benefit of $430,000 which related to the corresponding reduction in the valuation allowance for the year ended December 31, 2017. There were no specific impacts of the Act that could not be reasonably estimated which the Company accounted for under prior tax law. However, a continued analysis of the estimates and further guidance on the application of the law is ongoing, Accordingly, it is possible that additional revisions may occur throughout the allowable measurement period.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

The Company adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10, which prescribes a recognition threshold and measurement process for financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of December 31, 2017, 2016 and 2015. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations. There were no amounts accrued for interest or penalties as of or during the years ended December 31, 2017, 2016 and 2015.

Research and Development Costs

Research and development costs are expensed as they are incurred and consist of fees paid to consultants, clinical trials and related clinical manufacturing costs, license and milestone fees, and facilities.

Loss Per Share

The Company computes basic net loss per share by dividing net loss by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share includes the dilution that would occur upon the exercise or conversion of all dilutive securities into common stock using the "treasury stock" and/or "if converted" methods, as applicable. Weighted average shares outstanding for the years ended December 31, 2017, 2016 and 2015 includes the weighted average impact of warrants to purchase an aggregate of 2,043,835 shares of common stock because their exercise price was determined to be nominal.

The common stock equivalents associated with the following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	December 31,		
	2017	**2016**	**2015**
Warrants	11,615,481	11,865,481	11,074,324
Convertible notes	1,530,433	2,028,999	2,166,331
Convertible preferred stock	6,437,900	-	-
Total	19,583,814	13,894,480	13,240,655

Convertible notes are assumed to be converted at the rate of $0.75 per common share. However, as further described in Note 8, *Notes Payable*, such conversion rates are subject to adjustment under certain circumstances, which may result in the issuance of common shares greater than the amount indicated.

Deferred Financing Costs

The Company defers financing costs in conjunction with its debt and equity financing activities. Once the financing closes, the Company reclassifies such costs as either discounts to notes payable or as a reduction of proceeds received from equity transactions so that such costs are recorded as a reduction of additional paid-in capital. As of December 31, 2017, 2016 and 2015, there was $0, $35,043 and $152,932, respectively, of unamortized deferred financing costs recorded on the balance sheet.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For non-employees, the fair value of the award is generally re-measured on financial reporting dates and vesting dates until the service period is complete. The fair value amount is then recognized over the period the services are required to be provided in exchange for the award, usually the vesting period. Because the Company's common stock historically was not actively traded on a public market, the fair value of the Company's restricted equity instruments is estimated by management based on observations of the sales prices of both restricted and freely tradable common stock, or instruments convertible into common stock. In connection with the years ended December 31, 2017 and 2016, the Company obtained a third-party valuation of its common stock, which was also considered in management's estimation of value of the equity instruments issued during that period. This third-party valuation was done in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation.* The estimates used by management are considered highly complex and subjective. The Company anticipates that once its shares begin trading, the use of such estimates will no longer be necessary to determine the fair value of its common stock.

Derivative Financial Instruments

The fair value of an embedded conversion option that is convertible into a variable amount of shares and/or warrants that include price protection reset provision features are deemed to be "down-round protection." Such conversion options do not meet the scope exception for treatment as a derivative under ASC 815 "Derivatives and Hedging" since "down-round protection" is not an input into the calculation of the fair value of conversion options and warrants. Consequently, they are not considered "indexed to the Company's own stock" which is a requirement for the scope exception under ASC 815.

The accounting treatment of derivative financial instruments requires that the Company record embedded conversion options and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period.

The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Black-Scholes option pricing model was used to estimate the fair value of the warrants and conversion options. The model includes subjective input assumptions that can materially affect the fair value estimates. The Company determined the fair value under the Binomial Lattice Model and the Black-Scholes Valuation Model to be materially the same.

Notes payable conversion options are recorded as debt discounts and are amortized as interest expense over the term of the related debt instrument.

Sequencing Policy

On October 28, 2013, as a result of entering into warrant agreements which contained a variable conversion feature with no floor, the Company adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all instruments issued subsequent to that date were classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors. Any warrants granted after this date were determined to be and were recorded as derivative liabilities.

Foreign Currency Translation

The New Israeli Shekel is the functional currency of CSL. Assets and liabilities are translated based on the exchange rates at the balance sheet date, while revenue and expense accounts are translated at the actual exchange rates in the effect of the date of the transaction during the year. Equity accounts are translated at historical exchange rates. The resulting translation gain and loss adjustments are accumulated as a component of other comprehensive income. Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, are included in results of operations.

The Company recorded approximately $18,000, $600 and $2,000 of transaction losses for the years ended December 31, 2017, 2016 and 2015, respectively. Such amounts have been classified within general and administrative expenses in the accompanying consolidated statements of operations.

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) and its components in its consolidated financial statements. Comprehensive income (loss) consists of net loss and foreign currency translation adjustments affecting stockholders' deficit that, under U.S. GAAP, are excluded from net loss. The differences between net loss as reported and comprehensive income (loss) have historically been immaterial. As of December 31, 2017, the exchange rate between the U.S. Dollar and the New Israeli Shekel was 1 to 3.48 and the weighted average exchange rate for the year then ended was 1 to 3.60, respectively. As of December 31, 2016, the exchange rate between the U.S. Dollar and the New Israeli Shekel was 1.00 to 3.84 and the weighted average exchange rate for the year then ended was 1 to 3.83, respectively. As of December 31, 2015, the exchange rate between U.S. Dollars and Israeli Shekel was 1.00 to 3.90 and the weighted average exchange rate for the year then ended was 1 to 3.88.

Reclassifications

Certain prior period amounts have been reclassified to conform to the fiscal 2017 presentation. These reclassifications have no impact on the previously reported net loss.

Recent Accounting Standards

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2015-03, Interest – Imputation of Interest (Subtopic 835-30). The ASU was issued as part of FASB’s current plan to simplify overly complex standards. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The update requires retrospective application to all prior period amounts presented. This update is effective for annual and interim periods beginning on or after December 15, 2015, with early application permitted for financial statements that have not been issued. The Company adopted ASU 2015-03 effective January 1, 2016 with no impact on its consolidated financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes” ("ASU 2015-17"). ASU 2015-17 will be effective beginning with the Company's fiscal year 2018 annual report and interim periods thereafter, with early adoption permitted. In this update, entities are required to present all deferred tax liabilities and assets as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The standard can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. As this standard only impacts presentation, the adoption of ASU 2015-17 is not expected to have an impact on the Company's consolidated financial condition, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation – Stock Compensation (Topic 718)” (“ASU 2016-09”). ASU 2016-09 requires an entity to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU 2016-09 effective January 1, 2017 with no impact on its consolidated financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). ASU 2016-15 makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. ASU 2016-15 requires adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated cash flows and related disclosures.

In May 2017, the FASB issued ASU 2017-09, “Compensation – Stock Compensation (Topic 718)” (“ASU 2017-09”). ASU 2017-09 provides clarity on the accounting for modifications of stock-based awards. ASU 2017-09 requires adoption on a prospective basis in the annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements or disclosures.

In July 2017, the FASB issued ASU No. 2017-11, “Earnings Per Share (Topic 260) and Derivatives and Hedging (Topic 815) - Accounting for Certain Financial Instruments with Down Round Features” (“ASU 2017-11”). Equity-linked instruments, such as warrants and convertible instruments may contain down round features that result in the strike price being reduced on the basis of the pricing of future equity offerings. Under ASU 2017-11, a down round feature will no longer require a freestanding equity-linked instrument (or embedded conversion option) to be classified as a liability that is remeasured at fair value through the income statement (i.e. marked-to-market). However, other features of the equity-linked instrument (or embedded conversion option) must still be evaluated to determine whether liability or equity classification is appropriate. Equity classified instruments are not marked-to-market. For earnings per share (“EPS”) reporting, the ASU requires companies to recognize the effect of the down round feature only when it is triggered by treating it as a dividend and as a reduction of income available to common shareholders in basic EPS. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

The Company has evaluated all new accounting standards that are in effect and may impact its consolidated financial statements and does not believe that there are any other new accounting standards that have been issued that might have a material impact on its financial position or results of operations.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before these financial statements are issued. Based upon that evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements except as disclosed in Note 13, *Subsequent Events*.

Note 4 – Fair Value

The Company determines the estimated fair value of amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of December 31, 2017, 2016 and 2015, and, as of those dates, the carrying value of all amounts approximates fair value. The Company estimated the fair value of its restricted common stock during the years ended December 31, 2017, 2016 and 2015 based on observations of the sales of Preferred Stock convertible into common stock as well as thinly traded volume and closing prices of its common stock. During the years ended December 31, 2017 and 2016, the Company obtained a third-party valuation of its common stock, which was also considered in management's estimation of the fair value of its restricted common stock for such periods. See Note 3, *Summary of Significant Accounting Policies — Stock-Based Compensation* for additional discussion of the use of estimates in estimating the fair value of the Company's common stock.

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

Level 1 Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 Inputs use directly or indirectly observable inputs. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The following table summarizes the valuation of the Company's derivatives by the above fair value hierarchy levels as of December 31, 2017, 2016 and 2015 using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Total	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Accrued compensation	$ 79,262	$ -	$ -	$ 79,262
Derivative liability	628,200	-	-	628,200
Balance - December 31, 2017	$ 707,462	$ -	$ -	$ 707,462
Accrued compensation	$ 79,178	$ -	$ -	$ 79,178
Derivative liability	1,175,400	-	-	1,175,400
Balance - December 31, 2016	$ 1,254,578	$ -	$ -	$ 1,254,578
Accrued compensation	$ 60,000	$ -	$ -	$ 60,000
Derivative liability	3,279,600	-	-	3,279,600
Balance - December 31, 2015	$ 3,339,600	$ -	$ -	$ 3,339,600

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company's Level 3 liabilities shown in the above table consist of warrants with "down-round protection", as the Company is unable to determine if it will have sufficient authorized common stock to settle such arrangements, warrants deemed to be derivative liabilities according to the Company's sequencing policy in accordance with ASC 815-40-35-12, the conversion option of convertible notes payable and an accrued obligation to issue a warrant and common stock.

Assumptions utilized in the valuation of Level 3 liabilities are described as follows:

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Risk-free interest rate	1.04% - 2.09%	0.21% - 1.93%	0.14% - 1.93%
Expected term (years)	0.25 - 4.00	0.04 - 5.00	0.04 - 6.50
Expected volatility	110%	110% - 159%	159% - 172%
Expected dividends	0.00%	0.00%	0.00%

The expected term used is the contractual life of the instrument being valued. Since the Company's stock has not been publicly traded for a sufficiently long period of time or with significant volume, the Company is utilizing an expected volatility based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all Level 3 liabilities measured at fair value on a recurring basis using unobservable inputs during the years ended December 31, 2017, 2016 and 2015:

	Accrued Compensation	**Derivative Liability**	**Total**
Balance - December 31, 2014	$ 901,300	$ 2,318,700	$ 3,220,000
Issuance of warrants and conversion options	-	686,850	686,850
Accrual of warrant and common stock obligation	110,684	-	110,684
Change in fair value	(51,500)	(208,250)	(259,750)
Reclassification to equity upon issuance	(418,184)	-	(418,184)
Reclassification to derivative liability upon issuance	(482,300)	482,300	-
Balance - December 31, 2015	$ 60,000	$ 3,279,600	$ 3,339,600
Issuance of warrants and conversion options	-	766,400	766,400
Accrual of obligations	44,033	-	44,033
Change in fair value	(24,855)	(2,870,600)	(2,895,455)
Balance - December 31, 2016	$ 79,178	$ 1,175,400	$ 1,254,578
Issuance of warrants and conversion options	-	67,080	67,080
Exchange of warrant for common stock	-	(24,107)	(24,107)
Accrual of obligations	-	-	-
Change in fair value	85	(590,173)	(590,088)
Balance - December 31, 2017	$ 79,262	$ 628,200	$ 707,462

The Company's significant financial instruments such as cash, other current assets, accounts payable, accrued expenses and notes payable were deemed to approximate fair value due to their short-term nature.

On November 10, 2014, in connection with the effectiveness of a registration statement filed on behalf of certain investors, the Company became obligated to issue to certain founders of Cell Source Limited five-year warrants to purchase an aggregate of 3,000,000 shares of common stock at an exercise price of $0.75 per share. As a result, during the year ended December 31, 2014, the Company accrued for the value of the obligation, which was the value of the warrants as computed using the Black Scholes option pricing model to be an aggregate of $901,300, which was recorded as stock-based compensation expense in the consolidated statements of operations and included in accrued compensation in the consolidated balance sheet as of December 31, 2014. During the year ended December 31, 2015, the Company issued the warrants to purchase an aggregate of 3,000,000 shares of common stock, of which, (i) warrants to purchase an aggregate of 1,300,000 shares of common stock were issued to employees with an issuance date value of $367,500 and reclassified to equity; and (ii) warrants to purchase an aggregate of 1,700,000 shares of common stock were issued to non-employees with an issuance date value of $482,300 and reclassified to derivative liability.

Of the warrants to purchase an aggregate of 3,000,000 shares of common stock issued in 2015, warrants to purchase an aggregate of 2,400,000 shares of common stock contain a provision that provides the Company with an option, prior to the expiration date, to redeem all of the warrants then outstanding upon not less than thirty-days' notice nor more than sixty-days' notice to the applicable holder, at a redemption price of $0.01 per share, subject to the conditions that: (i) there is an effective registration statement covering the resale of the underlying shares of common stock; and (ii) the common stock has traded for twenty consecutive days with a closing price of at least $2.50 per share with an average trading volume of 100,000 shares per day.

On December 28, 2017, the Company exchanged warrants for the purchase of up to 250,000 shares of common stock with a total value of $24,107 for the issuance of 250,000 shares of common stock as more fully described in Note 10, *Stockholder's Deficiency.*

As of December 31, 2017, 2016 and 2015, the Company had an obligation to issue 150,000 shares of common stock to a service provider. The shares had a fair value of $60,000, which was a component of accrued compensation in the consolidated balance sheets as of December 31, 2017, 2016 and 2015 and was included within stock-based compensation expense during the year ended December 31, 2015.

See Note 8, *Notes Payable* and Note 11, *Commitments and Contingencies* for additional details associated with the issuance of warrants which were deemed to be derivative liabilities.

Note 5 – Accrued Expenses

Accrued expenses consisted of the following:

	December 31,		
	2017	**2016**	**2015**
Accrued research and development	$ 245,504	$ 247,930	$ 186,815
Accrued legal fees	119,216	154,362	177,574
Accrued other professional fees	50,731	3,937	30,524
Accrued director compensation	12,000	12,000	12,000
Accrued Scientified Advisory Board compensation	109,000	83,000	31,000
Other accrued expenses	284,793	373,982	3,572
Total accrued expenses	$ 821,244	$ 875,211	$ 441,485

Note 6 – Accrued Compensation

Accrued compensation consisted of the following:

	December 31,		
	2017	**2016**	**2015**
Witholding tax	$ 147,082	$ 102,492	$ 41,443
Social security	54,218	37,958	14,395
Stock-based compensation expense	60,000	60,000	60,000
Pension insurance	97,221	59,310	26,749
Accrued payroll	132,366	136,469	93,166
Vacation	38,059	28,096	20,210
Severance	97,812	82,838	$ 68,710
	$ 626,758	$ 507,163	325,673

Note 7 – Advances Payable

Advances payable represent monies received from investors/lenders during the years ended December 31, 2017, 2016 and 2015 in advance of the closing dates of various financings discussed in Note 8, *Notes Payable* and Note 10, *Stockholders' Deficiency.*

Note 8 – Notes Payable

The Company has a variety of outstanding debt instruments consisting of: a) notes payable, b) notes payable to related parties, c) convertible notes payable, and d) convertible notes payable due to related parties. The notes within each of those groups are described in the sections below

a) Notes payable consist of the following:

		December 31,		
		2017	2016	2015
i)	Notes issued on March 26, 2015, net of debt discounts	$ 500,000	$ 474,050	$ 458,400
ii)	Note issued on May 15, 2015, net of debt discounts	183,468	250,000	250,000
iii)	Notes issued on March 8, 2016, net of debt discounts	300,000	600,000	-
iv)	Note issued on May 10, 2016	53,000	53,000	-
v)	Notes issued on various dates from July 20, 2016 to October 13, 2016, net of debt discounts	137,206	436,900	-
Total		$ 1,173,674	$ 1,813,950	$ 708,400

Details regarding these notes are as follows:

i) On March 26, 2015, the Company issued two notes payable in the principal amount of $250,000 each and warrants for the purchase of a total of 500,000 shares of common stock at $0.75 per share for a period of four years. These notes did not accrue interest and matured on March 26, 2016. The warrants were 100% vested upon issuance, valued at $177,200 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of those notes.

One note was extended twice subsequent to March 26, 2016 and the current maturity date is June 30, 2017. In connection with those extensions, the Company issued a total of 375,000 shares of common stock, (250,000 and 125,000 on August 10, 2016 and November 25, 2016, respectively). Those shares were valued at a total of $93,750 on the dates of issuance and recorded as debt discounts. Such discounts were amortized to expense over the terms of those extension periods.

As of December 31, 2017, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

ii) On May 15, 2015, the Company issued a note payable in the principal amount of $250,000 and warrants for the purchase of 250,000 shares of common stock at $0.75 per share for a period of four years. This note accrued interest at the rate of 12% per annum and matured on September 15, 2015. The warrants were 100% vested upon issuance, valued at $88,600 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of this note.

At the maturity date, this note was extended subsequent to September 15, 2015 and the current maturity date was March 31, 2018. In connection with the latest extension on December 28, 2017, the Company:

- Issued 5,000 shares of Series A Preferred Stock. Those shares were valued at $37,500 on the date of issuance, recorded as a debt discount, and amortized to expense over the terms of those extension periods; and

- Issued 125,000 shares of common stock. Those shares were valued at $31,250 on the date of issuance, recorded as a debt discount, and amortized to expense over the terms of those extension periods; and

- Issued 250,000 shares of common stock in exchange for outstanding warrants as more fully described in Note 10, *Stockholders' Deficiency.*

As of the date of this report, the Company is not in compliance with the terms of this note due to non-payment of principal. However, the holder has not issued a notice of default.

iii) On March 8, 2016, the Company issued two notes payable in the total principal amount of $600,000 and warrants for the purchase of a total of 300,000 shares of common stock at $0.75 per share for a period of four years. These notes accrued interest at the rate of 10% per annum and matured on September 8, 2016. The warrants were 100% vested upon issuance, valued at $93,400 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, these warrants were determined to be and were recorded as derivative liabilities.

On March 8, 2017, the holder of one of these notes with the principal amount of $300,000 and accrued interest of $30,000 exchanged that note for 66,000 shares of the Company's Series A Preferred Stock. The value of the shares issued exceeded the carrying value of the debt and accrued interest and, as more fully discussed in Note 10*, Stockholders' Deficiency - Series A Preferred Stock and Private Placement Memorandum,* this difference of $165,000 was recorded in the Consolidated Statements of Operations as a loss on exchange of notes payable for preferred shares.

As of December 31, 2017, the Company is not in compliance with the terms of the remaining note with a principal amount of $300,000 due to non-payment of principal. However, the holder has not issued a notice of default.

iv) On May 10, 2016, the Company issued a note payable in the principal amount of $53,000. This note accrued interest at the rate of 6% per annum and matured on November 10, 2016.

As of December 31, 2017, the Company is not in compliance with the terms of this note due to non-payment of principal. However, the holder has not issued a notice of default.

v) On various dates from July 20, 2016 to October 13, 2016, the Company issued a series of five notes payable in the total principal amount of $460,000 and warrants to purchase of 345,000 shares of common stock at $0.75 per share for a period of five years. These notes accrued interest at the rate of 10% per annum and matured on various dates from January 1, 2017 to April 13, 2017. The warrants were 100% vested upon issuance, valued at a total of $121,700 on the date of issuance, and were recorded as a debt discount. The discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, these warrants were determined to be and were recorded as derivative liabilities.

On March 8, 2017, the holders of three of these notes with the total principal amount of $300,000 and accrued interest of $19,167 exchanged those notes for 63,833 shares of the Company's Series A Preferred Stock. The value of the shares issued exceeded the carrying value of the debt and accrued interest and, as more fully discussed in Note 10, *Stockholders' Deficiency - Series A Preferred Stock and Private Placement Memorandum,* this difference of $159,585 was recorded in the Consolidated Statements of Operations as a loss on exchange of notes payable for preferred shares.

On December 28, 2017, the maturity date of one of these notes with the principal amount of $100,000 was extended from its original maturity date of February 4, 2017 and the current maturity date is January 31, 2018. In connection with that extension, the Company issued a total of 25,000 shares of common stock and 2,500 shares of Series A Preferred Stock. Those shares were valued at a total of $6,250 and $18,750, respectively, on the date of issuance and were recorded as debt discounts. Such discounts were amortized to expense over the terms of those extension periods.

As of December 31, 2017 and through the date of this report, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

The warrants issued for the purchase of a total of 1,145,000 shares of common stock in connection with the notes payable described above may be redeemed by the Company at $0.01 per common share, subject to certain notice requirements, under the following circumstances:

- There is an effective registration statement covering the resale of the underlying shares of common stock; and
- The common stock has traded for twenty consecutive trading days prior to notice to the warrant holder with a closing price of at least $2.50 per share and an average trading volume of 100,000 shares per day.

As of the date of filing, the notes payable described above with a total principal balance of $1,282,500 were past due, however, no penalties or additional interest are associated with the notes payable as a result. Accrued interest related to these notes payable was an aggregate of $164,459 as of December 31, 2017. The Company has not satisfied these debts and is in negotiations with the noteholders to extend the maturity dates of such notes or convert the principal and accrued interest into equity.

b) Notes payable due to related parties consist of the following:

		December 31,		
		2017	2016	2015
i)	Notes issued on November 11 and 26, 2015, net of debt discounts	$ 50,000	$ 50,000	$ 100,000
ii)	Notes issued on July 20, 2015, net of debt discounts	100,000	97,700	80,700
Total		$ 150,000	$ 147,700	$ 180,700

Details regarding these notes are as follows:

i) On November 11 and 26, 2014, the Company issued to its Chief Executive Officer two promissory notes totaling $100,000. These notes accrued interest at the rate of 6% per annum and matured six months after issuance. Principal of $50,000 was repaid on March 31, 2016. The maturity date of the remaining note has been extended to September 30, 2018 and as of that date principal and interest of $50,000 and $13,310, respectively, was due to this related party.

ii) On July 20, 2015, the Company issued to a member of its Board of Directors a note payable in the principal amount of $100,000 and warrants for the purchase of a total of 100,000 shares of common stock at $0.75 per share for a period of four years. This note did not accrue interest and matured on January 24, 2017. The warrants were 100% vested upon issuance, valued at $34,900 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of those notes.

The maturity date of this note was extended on July 20, 2016 to January 24, 2017. In connection with that extension, the Company issued warrants for the purchase of a total of 60,000 shares of common stock at $0.75 per share for a period of three years. The warrants were 100% vested upon issuance, valued at $18,000 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, these warrants were determined to be and recorded as derivative liabilities.

The warrants issued in connection with this note contain an exercise limitation such that at no time may the warrant be exercised if the shares of common stock to be issued upon such exercise would exceed, when aggregated with all other shares of common stock owned by the holder, 4.99% of the issued and outstanding shares of the common stock of the Company.

As of December 31, 2017, the Company is not in compliance with the terms of this note due to non-payment of principal. As of that date, principal and a late fee of $100,000 and $5,000, respectively, are due to this related party. However, the holder has not issued a notice of default.

c) Convertible notes payable, including current and long-term amounts, consist of the following:

		December 31,		
		2017	2016	2015
i)	Convertible notes issued on July 24, 2015, net of debt discounts	$ 127,841	$ 142,200	$ 110,300
ii)	Convertible notes issued on October 7, 2015, net of debt discounts	265,000	239,250	194,800
iii)	Convertible notes issued on November 9 and 17, 2015, net of debt discounts	-	264,250	71,950
iv)	Convertible notes issued on various dates from January 6, 2016 to March 15, 2016, net of debt discounts	290,000	230,520	-
v)	Convertible note issued on January 14, 2016, net of debt discounts	-	250,000	-
vi)	Convertible notes issued on May 18, 2017, net of debt discounts	117,986	-	-
Total		$ 800,827	$ 1,126,220	$ 377,050

Details regarding these convertible notes are as follows:

i) On July 24, 2015, the Company issued three convertible notes payable in the total principal amount of $145,000 and warrants for the purchase of a total of 145,000 shares of common stock at $0.75 per share for a period of four years. These notes accrued interest at the rate of 10% per annum after the first ninety days they were outstanding and matured on July 24, 2016. The conversion option was valued at $10,900 on the date of issuance and were recorded as a debt discount. The warrants were 100% vested upon issuance, valued at $50,600 on the date of issuance, and recorded as a debt discount. These discounts were amortized to expense over the term of those notes.

Additionally, these notes contain the following provisions:

- These notes must be repaid if Company receives $3,000,000 or more in proceeds from the closing of any offering or offerings after July 24, 2015; and

- On or after the sixteenth day following the maturity dates, the holders have the option to convert all or part of the outstanding principal and accrued but unpaid interest into shares of common stock at a conversion price equal to the lesser of (i) $0.75; or (ii) seventy percent of the average daily volume weighted average price ("VWAP") of common stock for the twenty trading days prior to the maturity date.

On July 22, 2016, the maturity date of these three notes was extended to January 24, 2017. In connection with that extension, the Company issued warrants for the purchase of a total of 72,500 shares of common stock at $0.75 per share for a period of three years. The warrants were 100% vested upon issuance, valued at $21,800 on the date of issuance, and recorded as a debt discount. The discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, these warrants were determined to be and recorded as derivative liabilities.

The warrants issued in connection with these notes contain an exercise limitation such that at no time may the warrant be exercised if the shares of common stock to be issued upon such exercise would exceed, when aggregated with all other shares of common stock owned by the holder, 4.99% of the issued and outstanding shares of the common stock of the Company.

On August 15, 2017, the maturity dates of two of these notes were extended to February 15, 2018. In connection with that extension, the Company issued 93,750 common shares. The shares were valued at $23,438 on the date of issuance and recorded as a debt discount. These discounts were amortized to expense over the remaining term of the notes.

The warrants issued for the purchase of a total of 217,500 shares of common in connection with the notes payable described above may be redeemed by the Company at $0.01 per common share, subject to certain notice requirements, under the following circumstances:

- There is an effective registration statement covering the resale of the underlying shares of common stock; and

- The common stock has traded for twenty consecutive trading days prior to notice to the warrant holder with a closing price of at least $2.50 per share and an average trading volume of 100,000 shares per day.

As of December 31, 2017 and through the date of this report, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

ii) On October 7, 2015, the Company issued two convertible notes payable in the total principal amount of $250,000 and 250,000 shares of common stock. These notes accrued interest at the rate of 6% per annum and matured on October 7, 2016. The conversion option was valued at $600 on the date of issuance and recorded as a debt discount. The common shares were valued at $71,400 on the date of issuance and recorded as a debt discount with a corresponding increase to additional paid-in capital. These discounts were amortized to expense over the term of the notes.

Under the terms of these notes, principal and any accrued and unpaid interest may be converted into common stock at the option of the holders for a period of fifteen days beginning on the maturity date at a conversion price of $0.75 per share.

On November 25, 2016, the maturity date of these two notes was extended to June 30, 2017. In connection with that extension, the Company and the holders agreed that accrued interest would be converted into two notes in the total principal amount of $15,000 with a maturity date of June 30, 2017, the original two notes in the total principal amount of $250,000 would no longer accrue interest, and the Company issued a total of 125,000 shares of common stock to the holders. Those shares were valued at a total of $50,000 on the date of issuance and recorded as debt discounts. Such discounts were amortized to expense over the term of those extension period.

As of December 31, 2017, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

iii) On November 9 and 17, 2015, the Company issued a series of convertible notes payable in the total principal amount of $332,500. These notes accrued interest at the rate of 10% per annum and matured on May 9 and 17, 2017. The conversion option was valued at $287,350 on the date of issuance and recorded as a debt discount. Such discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, this conversion option was determined to be and recorded as a derivative liability.

On May 18 and 24, 2017, the holders exchanged these notes with total principal and interest of $332,500 and $49,875, respectively, for 76,475 shares of Series A Preferred Stock. The value of the shares issued exceeded the carrying value of the debt and accrued interest and, as more fully discussed in Note 10 - *Stockholders' Deficiency - Series A Preferred Stock and Private Placement Memorandum,* this difference of $191,190 was recorded in the Consolidated Statements of Operations as a loss on exchange of notes payable for preferred shares.

iv) On various dates from January 6, 2016 through March 15, 2016, the Company issued a series of convertible notes payable in the total principal amount of $390,000. These notes accrued interest at the rate of 10% per annum and matured on various dates from July 6, 2017 through September 15, 2017. The conversion option was valued at $327,700 on the date of issuance and recorded as a debt discount. Such discount was amortized to expense over the term of those notes. In accordance with the Company's sequencing policy, the conversion options were determined to be and recorded as a derivative liability.

These notes automatically convert into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); (ii) the closing of a strategic transaction (including but not limited to the Company's entry into a joint venture or partnership agreement or the sublicensing of the Company's intellectual property) pursuant to which the Company, directly or indirectly, receives, or expects to receive within eighteen months, cash, assets or other consideration with a total aggregate value of at least $4,000,000 ("Strategic Transaction"); or (iii) the Maturity Date of the 10% Convertible Notes.

In the event the 10% Convertible Notes are converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the 10% Convertible Notes shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. The QF Conversion Shares shall be subject to a prohibition on any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In the event the 10% Convertible Notes are converted upon the occurrence of a Strategic Transaction (the "ST Conversion Shares"), the conversion price of the 10% Convertible Notes shall be equal to $0.75. In addition, upon conversion of the 10% Convertible Notes following the occurrence of a Qualified Financing or a Strategic Transaction, each holder of a 10% Convertible Note shall automatically receive five-year warrants to purchase that number of shares of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to one hundred ten percent (110%) of the per-share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing or $0.825 in the case of a Strategic Transaction, as applicable. The ST Conversion Shares shall be subject to a prohibition on any sale, pledge or transfer for a period of six (6) months from the date of the closing of a Strategic Transaction. In the event the 10% Convertible Notes are automatically converted upon the Maturity Date, the conversion price of the 10% Convertible Notes shall be equal to the quotient obtained by dividing $15 million by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Maturity Date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the 10% Convertible Notes upon the Maturity Date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price.

On October 3, 2017, the holders of one of these notes with the total principal amount of $100,000 and accrued interest of $15,417 exchanged that note for 15,389 shares of the Company's Series A Preferred Stock as more fully described in Note 10, *Stockholders' Deficiency*. There was no gain or loss in connection with this exchange.

As of December 31, 2017 and through the date of this report, the Company is not in compliance with the terms of the remaining notes totaling $290,000 due to non-payment of principal and interest. However, the holders have not issued notices of default.

v) On January 14, 2016, the Company issued a convertible note payable in the principal amount of $250,000. This note accrued interest at the rate of 10% per annum beginning from the date the funds were advanced on January 28, 2015 and matured on July 27, 2016. The conversion option was valued at $179,000 on January 14, 2016, the date such terms were formalized, and recorded as a debt discount. Such discount was amortized to expense over the remaining term of the note. In accordance with the Company's sequencing policy, this conversion option was determined to be and recorded as a derivative liability.

On January 19, 2017, the holder exchanged the note with total principal and interest of $250,000 and $50,000, respectively, for 60,000 shares of Series A Preferred Stock. The value of the shares issued exceeded the carrying value of the debt and accrued interest and, as more fully discussed in Note 10, *Stockholders' Deficiency - Series A Preferred Stock and Private Placement Memorandum,* this difference of $150,000 was recorded in the Consolidated Statements of Operations as a loss on exchange of notes payable for preferred shares.

vi) On May 18, 2017, the Company issued three convertible notes payable in the total principal amount of $135,000 and a total of 9,000 shares of Series A Preferred Stock. These notes did not accrue interest and matured on May 18, 2018. Proceeds from the issuance of such notes were allocated proportionately to the value of the notes and the shares. Consequently, those shares were allocated $45,000 on the date of issuance and recorded as debt discounts. Such discounts were amortized to expense over the term of those notes.

As of the date of this report, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

d) Convertible notes payable due to related parties consist of the following:

	December 31,		
	2017	2016	2015
Convertible notes issued on May 18, 2017, net of debt discounts	$ 196,644	-	-

On May 18, 2017, the Company issued to two entities individually controlled by two members of the Company's Board of Directors convertible notes payable in the total principal amount of $225,000 and a total of 15,000 shares of Series A Preferred Stock. These notes did not accrue interest and matured on May 18, 2018. Proceeds from the issuance of such notes were allocated proportionately to the value of the notes and the shares. Consequently, those shares were allocated $75,000 on the date of issuance and recorded as debt discounts. Such discounts were amortized to expense over the term of those notes. As of December 31, 2017, principal of $225,000 is due to these related parties.

As of the date of this report, the Company is not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

Annual expense for interest and amortization of debt discounts were as follows:

- During the years ended December 31, 2017, 2016 and 2015, the Company recorded interest expense related to notes payable of $177,970, $246,425 and $35,612, respectively.

- During the years ended December 31, 2017, 2016 and 2015, the Company recorded amortization of debt discount of $438,162, $1,273,351 and $356,268, respectively.

Note 9 – Income Taxes

Cell Source, Inc. is the parent of Cell Source Limited, a wholly owned Israeli subsidiary, which files tax returns in Israel.

In December 2017, the U.S. Congress enacted The Tax Cuts and Jobs Act (the "Act"). The primary provisions of the Act impacting the Company is the reduction to the U.S. corporate income tax rate from 35% to 21%, eliminating certain deductions, and imposing a mandatory one-time transition tax on accumulated earnings of foreign subsidiaries. The change in tax law required the Company to remeasure existing net deferred tax assets using the lower rate in the period of enactment resulting in an income tax expense of approximately $430,000 which is fully offset by a corresponding tax benefit of $430,000 which related to the corresponding reduction in the valuation allowance for the year ended December 31, 2017. There were no specific impacts of Tax Reform that could not be reasonably estimated which the Company accounted for under prior tax law. However, a continued analysis of the estimates and further guidance on the application of the law is ongoing. Accordingly, it is possible that additional revisions may occur throughout the allowable measurement period.

The Israeli and U.S. components of income before income taxes were as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Israel	$ (1,793,483)	$ (2,008,136)	$ (1,986,936)
United States	(1,289,027)	1,040,354	(517,169)
Income before income taxes	$ (3,082,510)	$ (967,782)	$ (2,504,105)

The tax effects of temporary differences that give rise to deferred tax assets are presented below:

	December 31,		
	2017	2016	2015
Net operating loss carryforwards	$ 3,712,000	$ 3,310,000	$ 2,094,000
Foreign deferred research and development costs	331,000	317,000	356,000
Stock-based compensation expense	26,000	34,000	26,000
Deferred tax assets	4,069,000	3,661,000	2,476,000
Valuation allowance	(4,069,000)	(3,661,000)	(2,476,000)
Deferred tax assets, net	$ -	$ -	-

The income tax provision (benefit) for the years ended December 31, 2017, 2016 and 2015 consists of the following:

	For the Years Ended December 31		
	2017	2016	2015
Current			
Foreign	$ -	$ -	$ -
Federal	-	-	-
U.S. State and local	-	-	-
Deferred			
Foreign	(357,000)	(390,000)	(358,000)
Federal	110,000	(623,000)	(226,000)
U.S. State and local	(161,000)	(172,000)	(62,000)
	(408,000)	(1,185,000)	(646,000)
Change in valuation allowance	408,000	1,185,000	646,000
Income tax provision (benefit)	$ -	$ -	$ -

The reconciliation of the expected tax expense (benefit) based on the U.S. federal statutory rates for 2017, 2016 and 2015, respectively, with the actual expense is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Expected federal statutory rate	(34.0%)	(34.0%)	(34.0%)
State and local taxes, net of federal tax benefit	(9.4%)	(9.4%)	(2.5%)
Statutory rate differential - domestic vs. foreign	11.3%	38.2%	7.7%
Permanent differences	3.1%	(124.4%)	0.6%
Change in tax rates and other	15.8%	7.2%	2.4%
Change in valuation allowance	13.2%	122.4%	25.8%
Income tax provision (benefit)	0.0%	0.0%	0.0%

At December 31, 2017, 2016 and 2015, the Company had approximately $10,758,000, $8,881,000 and $6,808,000, respectively, of foreign net operating losses ("NOLs") that may be available to offset future taxable income indefinitely. At December 31, 2017, 2016 and 2015, the Company had approximately $3,832,000, $2,716,000 and $905,000, respectively, of domestic federal and state NOLs that may be available to offset future taxable income. Such NOLs will expire for domestic federal purposes between 2034 and 2037. In accordance with Section 382 of the U.S. Internal Revenue Code, the usage of the Company's domestic federal NOLs may be subject to annual limitations following greater than 50% ownership changes. There were no ownership changes greater than 50% impacting post-reverse merger NOLs.

The Company assesses the likelihood that deferred tax assets will be realized. ASC 740, "Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a full valuation allowance as of December 31, 2017, 2016 and 2015. For the years ended December 31, 2017, 2016 and 2015, the increase in the valuation allowance was approximately $408,000, $1,185,000 and $646,000, respectively.

Cell Source, Inc. files income tax returns in the U.S. federal jurisdiction and the state and city of New York which remain subject to examination by such various taxing authorities beginning with the tax year ended December 31, 2014. The Company is in the process of preparing returns for the tax years ended December 31, 2016 and 2017. Cell Source Limited, a wholly owned Israeli subsidiary, files income tax returns with the government of the State of Israel. The Company is in the process of preparing returns for the tax years ended December 31, 2014 through 2017. No tax audits were commenced or were in process during the years ended December 31, 2017, 2016 and 2015.

Note 10 – Stockholders' Deficiency

Common Stock

As of December 31, 2017, the Company was authorized to issue 200,000,000 shares of common stock, par value of $0.001 per share.

On October 7, 2015, the Company issued 250,000 shares of common stock valued at $0.40 per share in connection with the issuance of convertible notes payable, as more fully described in Note 8(c)(ii), *Notes Payable.*

On August 17, 2015, the Company issued 100,000 shares of common stock valued at $0.40 per share in connection with a professional services agreement, as more fully described in Note 11 *Commitments and Contingencies*.

On August 10, 2016, October 7, 2016, and November 25, 2016 the Company issued an aggregate of 750,000 shares of common stock valued at $0.25 per share in connection with the extension of notes payable, as more fully described in Notes 8(a)(i) and 8(c)(ii), *Notes Payable*.

On August 15, 2017 and December 28, 2017, the Company issued a total of 243,750 shares of common stock as follows:

- 93,750 shares of common stock valued at $0.25 per share in connection with the extension of convertible notes payable, as more fully described in Note 8(c)(i), *Notes Payable*;
- 25,000 shares of common stock valued at $0.25 per share in connection with the extension of a note payable, as more fully described in Note 8(a)(v), *Notes Payable*; and
- 125,000 shares of common stock valued at $0.25 per share in connection with the extension of a notes payable, as more fully described in Note 8(a)(i), *Notes Payable.*

On December 4, 2017, the Company issued 176,230 shares of common stock valued at $0.75 per share, pursuant to the terms of the Series A Preferred Stock Certificate of Designation, in connection with the partial payment of accrued dividends for Series A Preferred Stock, as more fully described in the Series A Preferred Stock section of this footnote.

On December 28, 2017, the Company issued 250,000 shares of common stock valued at $0.25 per share with a total value of $62,500 in connection with the exchange of warrants for the purchase of up to 250,000 shares of common stock at $0.75 per share with a total value of $24,107. The difference of $38,393 was recorded in the Consolidated Statements of Operations as a loss on exchange of warrants for common shares.

Series A Preferred Stock and Private Placement Memorandum

As of December 31, 2017, the Company was authorized to issue 10,000,000 shares of preferred stock, par value of $0.001 per share. The preferred stock was designated as 1,335,000 shares of Series A Convertible Preferred Stock.

On November 14, 2016, the Company filed a Certificate of Designation ("COD") with the Secretary of the State of Nevada setting forth the preferences, rights and limitation of the Series A Preferred Stock. The COD designated 1,335,000 shares of the 10,000,000 authorized shares of preferred stock, par value of $0.001 per share, as Series A Preferred Stock which have the following rights and privileges:

1) Conversion

The Series A Preferred Stock has a stated value of $7.50 per share ("Stated Value") with an effective conversion price of $0.75 per share (subject to adjustment in the case of stock splits or stock dividends) ("Conversion Price").

Pursuant to the COD, the Series A Preferred Stock may be converted at the option of the holder into such number of shares of the Company's common stock equal to the number of shares of Series A Preferred Stock to be converted, multiplied by the Stated Value, divided by the Conversion Price in effect at the time of the conversion.

In addition, the Series A Preferred Stock will automatically convert into common stock at the earlier of (a) any of the Company's treatment candidates receiving Food and Drug Administration or European Medicines Agency approval; or (b) five years from the final closing of the offering.

2) Dividends

Holders of Series A Preferred Stock are entitled to cumulative 9% dividends which are payable semi-annually either in cash or in common stock at the Company's discretion at the rate of $0.75 per common share. As of December 31, 2017, there was $108,562 of accrued and unpaid dividends.

3) Voting

Holders of Series A Preferred Stock are entitled to vote with the Common Stock holders on an as-converted basis into Common Stock.

4) Liquidation Preference

Upon any liquidation, dissolution or winding-up of the Company, the Holders of Series A Preferred Stock will be entitled to be paid for each share of Series A Preferred Stock held thereby, but only to the extent the assets of the Company are legally available for distribution to its stockholders, in an amount equal to the Stated Value per share plus any accrued but unpaid dividends, before any distribution or payment may be made to the holders of any junior securities.

On December 23, 2016, the Company issued a Private Placement Memorandum ("PPM") for the purpose of raising up to $7,500,000 via the sale of up to 1,000,000 shares of Series A Preferred Stock at $7.50 per share. Pursuant to a royalty agreement entered into concurrently with these investors, the Company will pay to those investors an allocated royalty amount based on their pro rata ownership of the Preferred Shares equal to:

- 6% of net revenue for treatments sold directly by Cell Source; and
- 6% of cash received by Cell Source pursuant to Cell Source treatment licensing or partnering agreements.

Any holders of shares of Series A Preferred Stock that exercise their conversion rights during the twenty-four month period immediately after making their investment will only receive royalties earned prior to that conversion date. All unallocated royalties will be added back into the pool for allocation and distribution to the remaining holders. Remaining holders may exercise their conversion rights and their royalties will not be affected.

The royalty payments described above will terminate when the patents underlying the treatments expire or the sub-licensee discontinues commercial use.

The Board of Directors has extended the expiration date of the PPM to March 31, 2018 and has authorized two sixty-day extensions beyond that date at management's discretion.

On various dates from January 1, 2017 to December 7, 2017, the Company raised $2,295,127 through the sale of 306,759 shares of Series A Preferred Stock at $7.50 per share and, after transaction costs of $54,543, received net proceeds of $2,240,584.

On January 11, 2017, in connection with the exchange of advances payable, the Company issued an aggregate of 23,834 shares of Series A Preferred Stock under the terms of the PPM with a total value of $178,746.

On various dates from January 19, 2017 to October 3, 2017, in connection with the extension certain convertible notes payable and convertible notes payable to related parties, the Company issued 281,697 shares of Series A Preferred Stock under the terms of the PPM with a total value of $2,112,734 as more fully described in Note 8, *Notes Payable.*

In connection with the issuances of 23,834 shares (as described above) and 281,697 shares (as described above and in Note 8 sections (a)(iii), (a)(v), (c)(iii), and (c)(v)) of Series A Preferred, the value of the shares issued often exceeded the carrying value of the debt and accrued interest. This aggregate difference of $725,355 ($59,580 and $665,775 relating to the 23,834 and 281,697 shares, respectively) was recorded in the Consolidated Statements of Operations as a loss on exchange of notes payable for equity.

On May 18, 2017, in connection with the issuance of a series of convertible notes payable and convertible notes payable due to related parties, the Company issued 24,000 shares of Series A Preferred Stock under the terms of the PPM, (9,000 and 15,000 shares, respectively), with a total value of $180,000, as more fully described in Notes 8(c)(vi) and 8(d), *Notes Payable.* As the proceeds from the issuance of such notes was allocated proportionately to the value of the notes and the shares, the amount allocated to these shares totaled $120,000.

On January 19, 2017, in connection with exchange of a convertible note payable with the principal amount and interest of $250,000 and $50,000, respectively, the Company issued 60,000 shares of Series A Preferred Stock as more fully described in Note 8(c)(v), *Notes Payable.*

On December 28, 2017 and in connection with the extension of two notes payable, the Company issued 7,500 shares of Series A Preferred Stock (5,000 and 2,500) under the terms of the PPM with a total value of $56,250, as more fully described in Notes 8(a)(ii) and 8(a)(v), *Notes Payable.*

During the year ended December 31, 2017, the Company accrued preferred dividends of $240,559 and partially satisfied $131,997 of that obligation by issuing 176,230 shares of common stock at $0.75 per share pursuant to the terms of the Series A Preferred Stock Certificate of Designation. These actions resulted in an accrued dividend payable as of December 31, 2017 of $108,562.

Additional Paid-In Capital

On November 28, 2016 and as more fully described in Note 11, *Commitments and Contingencies - Research and License Agreement*, the Company amended a Research and License Agreement with Yeda Research and Development Company Limited ("Yeda") which eliminated a $200,000 liability to Yeda. As Yeda is a related party, the elimination of that liability was recorded as a contribution of capital through a corresponding increase of $200,000 to additional paid-in capital.

Stock-Based Compensation

During the years ended December 31, 2017, 2016 and 2015, the Company recognized $44,719, $114,759 and $135,884, respectively, of stock-based compensation expense related to warrants and common stock. As of December 31, 2017, there was $0 of unrecognized stock-based compensation expense related to warrants and common stock.

Stock Warrants

See Note 4, *Fair Value*, Note 8, *Notes Payable* and Note 11, *Commitments and Contingencies* for details associated with warrants.

A summary of the warrant activity during the years ended December 31, 2017, 2016 and 2015 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2014	8,503,159	$ 0.57		
Granted	4,615,000	0.75		
Exercised	-	-		
Forfeited	-	-		
Outstanding, December 31, 2015	13,118,159	$ 0.63		
Granted	791,157	0.75		
Exercised	-	-		
Forfeited	-	-		
Outstanding, December 31, 2016	13,909,316	$ 0.64		
Granted	-	-		
Exercised	-	-		
Exchanged	(250,000)	0.75		
Forfeited	-	-		
Outstanding, December 31, 2017	13,659,316	$ 0.64	1.7	$ 508,915
Exercisable, December 31, 2017	13,659,316	$ 0.64	1.7	$ 508,915

On December 28, 2017, the Company exchanged warrants for the purchase of up to 250,000 shares of common stock at $0.75 per share in exchange for the issuance of 250,000 shares of common stock as more fully described previously within this footnote.

Information regarding outstanding and exercisable warrants at December 31, 2017 is as follows:

Warrants Outstanding		Warrants Exercisable	
Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
$ 0.001	2,043,835	2.9	2,043,835
$ 0.750	11,615,481	1.6	11,615,481
	13,659,316	1.7	13,659,316

Note 11 – Commitments and Contingencies

Research and License Agreement

On October 3, 2011, the Company entered into a Research and License Agreement (the "Agreement") with Yeda Research and Development Company Limited (“Yeda”) for Veto Cell technology and an exclusive option to negotiate an additional license for organ regeneration technology.

Yeda is the technology transfer and commercial arm of the Weizmann Institute of Science, for research conducted at the Weizmann Institute of Science for an invention comprising methods of bone marrow transplantation and cell therapy utilizing Veto-Cells. As Yeda is a founder and a significant shareholder of the Company, it is a related party.

On September 22, 2016, the Company notified Yeda of its decision to not license the organ regeneration technology.

On November 28, 2016, the Company and Yeda executed an amendment to the Agreement regarding the Veto Cell technology. The significant terms of which are as follows:

1) The Company has an exclusive worldwide license for the Veto Cell technology for the development, manufacture and sale of the products derived therefrom for a period through the expiration of the applicable patents or fifteen years after the receipt of new drug approval, whichever occurs later;

2) The Company committed to engage Yeda to perform research services in the amount of $800,000 per annum through October 3, 2018;

3) The Company is obligated to pay Yeda an annual license fee of $50,000 until the conclusion of the research period; and

4) The Company is obligated to pay Yeda a royalty of 4% of net future sales by the Company or any sub-licensees.

Prior to fiscal 2016, the Company had accrued a $200,000 liability to Yeda in accordance with the terms of the original Agreement as it had achieved the equity financing threshold of $2,000,000 (the ‘Threshold"). In connection with the November 28, 2016 amendment to the Agreement, the Threshold amount was raised to $10,000,000 (the “Revised Threshold”) and, as a result, the $200,000 liability to Yeda was eliminated as of December 31, 2016. As the Company had not yet achieved the Revised Threshold as of September 30, 2017, no liability was recorded as of that date. In connection with the March 30, 2018 amendment to the Agreement, the provision for the payment of $200,000 was permanently eliminated and the annual research budget was reduced to $500,000.

During the years ended December 31, 2017, 2016 and 2015, the Company recorded research and development expenses of approximately $840,000, $813,000 and $830,000, respectively, related to this Agreement.

As of December 31, 2017, 2016 and 2015, approximately $0, $0 and $208,000, respectively, is payable to Yeda and has been accrued in "Accrued Expenses - Related Party".

Research Agreement With University Hospital

On December 8, 2016, the Company entered into a one-year research agreement with a university hospital in Germany. In exchange for the university's performance of the specified research and development, the Company agreed to pay a fee of $50,000 per quarter, provided that certain specified milestones were met by the university. As of December 31, 2017, the Company accrued $100,000 pursuant to the agreement.

Litigation

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows. As of December 31, 2017, 2016 and 2015, the Company has not accrued any amounts for contingencies.

Scientific Advisory Board

On June 1, 2015, the Company entered into an agreement with a consultant to serve as Chairman of the Company's Scientific Advisory Board (the "SAB") for a two-year period from May 21, 2015 through May 21, 2017. Pursuant to the agreement, the Company agreed to compensation consisting of (i) quarterly payments to the consultant of $3,000; (ii) issuance of a five-year warrant to purchase 120,000 shares of the Company's common stock at an exercise price of $0.75 that vests quarterly over two years; and (iii) payments of $1,000 per day for each symposium meeting attended, with travel expenses to be reimbursed by the Company.

On various dates from June 16, 2015 through July 7, 2015, the Company entered into agreements with four consultants to serve as members of the Company's SAB for two-year periods ranging from June 16, 2015 to July 7, 2017. Pursuant to the agreements, the Company agreed to compensation consisting of (i) quarterly payments to each consultant of $2,500; (ii) issuance of five-year warrants to purchase an aggregate of 400,000 shares (100,000 shares per consultant) of the Company's common stock at an exercise price of $0.75 per share that vest quarterly over two years; and (iii) payments of $1,000 per day to each consultant for each symposium meeting attended, with travel expenses to be reimbursed by the Company.

The warrants to purchase an aggregate of 520,000 shares of common stock issued to members of the Company's SAB during the year ending December 31, 2015 had an aggregate issuance date fair value of $190,900 ($0.37 per share), which is being recognized ratably over the vesting periods.

As of December 31, 2017, the agreements have expired, the Company has an accrued liability of $109,000 to the SAB members and there was no unrecognized stock-based compensation expense related to the warrants.

Consulting Agreement

On August 17, 2015, the Company entered into a one-year agreement with a consultant to provide accounting services for the Company ("Services Agreement"). In exchange for services provided by the consultant during the term, the Company agreed to (i) pay a fee of $5,000 per month (compensation commences on September 1, 2015 but payment was deferred until the Company raised at least $1,000,000), (ii) issue 100,000 shares of immediately vested common stock, valued at $40,000 which was recorded as stock-based compensation expense and (iii) issue an immediately vested five-year warrant to purchase 100,000 shares of common stock at an exercise price of $0.75 per share, valued at $36,700 which was recorded as stock-based compensation expense. See Note 4 – Fair Value for additional details. Effective November 24, 2015, the parties agreed to terminate the Services Agreement under the following terms: (i) the Company agreed to pay the consultant a total of $12,500 pursuant to the Services Agreement and (ii) the consultant retained the warrants and common stock previously issued.

Note 12 – Related Party Transactions

1) On October 3, 2011, as more fully described in Note 11, *Commitments and Contingencies*, the Company entered into a Research and License Agreement with Yeda Research and Development Company Limited ("Yeda") in connection with Veto Cell technology. Yeda is the technology transfer and commercial arm of the Weizmann Institute of Science located in Rehovot, Israel. As Yeda is a founder and a significant shareholder of the Company, it is a related party.

2) On November 11 and 26, 2014, as more fully described in Note 8(b), *Notes Payable*, the Company issued promissory notes totaling $100,000 to the President/CEO of the Company and principal of $50,000 was repaid on March 31, 2016. As of December 31, 2017, $50,000 of the principal is outstanding.

3) On July 20, 2015, as more fully described in Note 8(b), *Notes Payable*, the Company issued a promissory note in the amount of $100,000 to a member of the Company's Board of Directors.

4) On May 18, 2017, as more fully described in Note 8(d), *Notes Payable*, the Company issued to two entities individually controlled by two members of the Company's Board of Directors convertible notes payable in the total principal amount of $225,000 and a total of 15,000 shares of Series A Preferred Stock.

Note 13 – Subsequent Events

1) On February 21 and 26, 2018, the Company issued a series of bridge notes payable in the total principal amount of $500,000 with individual terms of ninety days. These notes did not accrue interest and all mature on or before May 26, 2018. Concurrent with the issuance of these notes, the Company issued warrants for the purchase of up to 300,000 shares of common stock at $0.75 per share through May 26, 2023.

   As of the date these financials statements were issued, the Company was not in compliance with the terms of these notes due to non-payment of principal. However, the holders have not issued notices of default.

2) On March 3, 2018, the Company raised $50,000 through the sale of 6,667 shares of Series A Preferred Stock at $7.50 per share and incurred no transaction costs.

150103

BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Designation
(PURSUANT TO NRS 78.1955)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Designation For Nevada Profit Corporations (Pursuant to NRS 78.1955)

1. Name of corporation:

Cell Source, Inc.

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

One Million Three Hundred Thirty-Five Thousand (1,335,000) of the Ten Million (10,000,000) authorized shares of Preferred Stock of the Cell Source, Inc. shall be designated Series A Preferred Stock, and shall possess the rights and preferences set forth in the attachment hereto, which description is incorporated herein.

3. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

X

Signature of Officer

Filing Fee: $175.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Stock Designation
Revised: 1-5-15

CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES A PREFERRED STOCK

OF

CELL SOURCE, INC.

It is hereby certified that:

1. The name of the Company (hereinafter called the "Company") is Cell Source, Inc. a Nevada corporation.

2. The Certificate of Incorporation of the Company authorizes the issuance of Ten Million (10,000,000) shares of preferred stock, $0.001 par value per share, and expressly vests in the Board of Directors of the Company the authority to issue any or all of said shares in one (1) or more series and by resolution or resolutions to establish the designation and number and to fix the relative rights and preferences of each series to be issued.

3. The Board of Directors of the Company, pursuant to the authority expressly vested in it as aforesaid, has adopted the following resolutions creating a Series A issue of Preferred Stock:

RESOLVED, that One Million Three Hundred Thirty-Five Thousand (1,335,000) of the Ten Million (10,000,000) authorized shares of Preferred Stock of the Company shall be designated Series A Preferred Stock, and shall possess the rights and preferences set forth below:

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"**Alternate Consideration**" shall have the meaning set forth in Section 7(c).

"**Business Day**" means any day except Saturday, Sunday, and any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

"**Common Stock**" means the Company's common stock, par value $0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"**Common Stock Equivalents**" means any securities of the Company or the subsidiaries of the Company, whether or not vested or otherwise convertible or exercisable into shares of Common Stock at the time of such issuance, which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options,

warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"**Conversion Date**" shall have the meaning set forth in Section 6(a).

"**Conversion Price**" means $0.75, subject to adjustment as set forth in Section 7.

"**Conversion Shares**" means the shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock in accordance with the terms hereof.

"**Dividend Payment Date**" shall have the meaning set forth in Section 3(b).

"**Effective Date**" means the date that this Certificate of Designation is filed with the Secretary of State of Nevada.

"**Fundamental Transaction**" shall have the meaning set forth in Section 7(c).

"**Holder**" shall mean the owner of the Series A Preferred Stock.

"**Junior Securities**" shall be the Common Stock and any other class or series of capital stock of the Company hereafter created which does not expressly rank pari passu with or senior to the Series A Preferred Stock.

"**Liquidation**" shall have the meaning set forth in Section 5.

"Mandatory Conversion" shall have the meaning set forth in Section 6(b).

"Mandatory Conversion Date" shall have the meaning set forth in Section 6(b).

"**Notice of Conversion**" shall have the meaning set forth in Section 6(a).

"Person" means an individual, entity, corporation, partnership, association, limited liability company, limited liability partnership, joint-stock company, trust or unincorporated organization.

"**PIK Shares**" shall have the meaning set forth in Section 3(b).

"**Purchase Agreement**" means, with respect to each Holder, the securities purchase agreement between the Company and the original Holder.

"**Preferred Stock**" means the Company's preferred stock, par value $0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"Series A Preferred Stock" shall have the meaning set forth in Section 2.

"**Stated Value**" means $7.50 per share.

"Trading Day" means a day on which the OTCQX or any other trading market or exchange on which the Common Stock may then trade is open for business.

Section 2. Designation and Authorized Shares. The series of preferred stock designated by this Certificate shall be designated as the Company's Series A Preferred Stock (the "**Series A Preferred Stock**") and the number of shares so designated shall be One Million Three Hundred Thirty-Five Thousand (1,335,000). So long as any of the Series A Preferred Stock are issued and outstanding, the Company shall not issue any shares of its preferred stock that are senior to the Series A Preferred Stock in Liquidation without the approval of the Holders of a majority of the issued and outstanding Shares of Series A Preferred Stock.

Section 3. Dividends. (a) The Holders will be entitled to receive, on any outstanding shares of Series A Preferred Stock held by such Holders, out of any funds and assets of the Company legally available (i) prior and in preference to any declaration or payment of any dividend on the Junior Securities, cumulative dividends, at an annual rate of 9% of the Stated Value (nine-tenths of a share of common stock per Preferred Share per annum), and (ii) any dividends declared and paid on the Common Stock on an as-converted basis therewith.

(b) Dividends on the Series A Preferred Stock set forth under Section 3(a)(i) shall be payable semi-annually [on June 30 and December 30 commencing on December 30, 2016] (forty-five hundredth of a share of common stock per Preferred Share semi-annually) (each, a "**Dividend Payment Date**"). Dividends under this Section 3(b) shall be payable (i) by delivery of shares of Common Stock ("**PIK Shares**"), in an amount for each Holder equal to the aggregate dividend payable to such holder with respect to the shares of Series A Preferred Stock held by such holder as of the Dividend Payment Date, divided by the Conversion Price as of the Dividend Payment Date, or (ii) in cash valued based on the Conversion Price.

Section 4. Voting Rights. The Holders shall have the right to vote on any matter submitted to a vote of holders of Common Stock, voting together with the Common Stock as one (1) class. The Holders shall be entitled to the same notice of any regular or special meeting of the shareholders as may or shall be given to holders of Common Stock entitled to vote at such meetings. Each share of Series A Preferred Stock will entitle its Holder to vote with the Common Stock on an as-converted basis. As long as any shares of Series A Preferred Stock are outstanding, the Company may not, without the affirmative vote of the Holders of the majority of the then outstanding shares of the Series A Preferred Stock, alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock, or issue any series of capital ranking senior to the Series A Preferred Stock in Liquidation. Nothing in the foregoing sentence shall impede a change in the Company's certificate of incorporation, including to effect a reverse split of the Company's issued and outstanding common stock (the "Reverse Split"), bylaws or other charter documents which does not have such adverse effect. The holders of the Series A Preferred Stock consent to the Reverse Split.

Section 5. Liquidation. (a) The Series A Preferred Stock shall with respect to distributions of assets and rights upon the occurrence of a Liquidation, rank senior to the Junior Securities of the Company. Upon any liquidation, dissolution or winding-up of the Company ("Liquidation"), the Holders of Series A Preferred Stock will be entitled to be paid for each share of Series A Preferred Stock held thereby, out of but only to the extent the assets of the Company are legally available for distribution to its stockholders, an amount equal to the Stated Value per share (as adjusted for stock splits, stock dividends, combinations or other recapitalizations of the Series A Preferred Stock), plus any accrued but unpaid dividends before any distribution or payment may be made to the holders of any Junior Securities. If the assets of the Company available for distribution to holders of Series A Preferred Stock shall be insufficient to permit payment in full to such holders of the sums which such holders are entitled to receive in such case, then all of the assets available for distribution to holders of the Series A Preferred Stock shall be distributed among and paid to such holders ratably in proportion to the amounts that would be payable to such holders if such assets were sufficient to permit payment in full.

(b) After the holders of all series of Series A Preferred Stock shall have been paid in full the amounts to which they are entitled in paragraph 5(a), the shares of Series A Preferred Stock shall not be entitled to any further participation in any distribution of assets of the Company.

Section 6. Conversion.

a) Conversions at Option of Holder. Subject to the provisions of this Section 6, each share of Series A Preferred Stock will be convertible, at any time and from time to time from and after the Effective Date, at the option of the Holder thereof, into Common Stock. Holders may effect conversions by providing the Company with a conversion notice (a "**Notice of Conversion**") which specifies the number of shares of Series A Preferred Stock to be converted, the number of shares of Series A Preferred Stock owned prior to the conversion at issue, the number of shares of Series A Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile or e-mail such Notice of Conversion to the Company (such date, the "**Conversion Date**"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date will be the date that such Notice of Conversion to the Company is deemed delivered hereunder. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. To effect conversions of shares of Series A Preferred Stock, a Holder will not be required to surrender the certificate(s) representing such shares of Series A Preferred Stock to the Company unless all of the shares of Series A Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Series A Preferred Stock promptly following the Conversion Date at issue. Shares of Series A Preferred Stock converted into Common Stock in accordance with the terms hereof will be canceled and may not be reissued except as otherwise set forth in this Certificate of Designation.

b) Mandatory Conversion. On the sooner to occur of (i) five years from the Effective Date or (ii) any of the Company's treatment candidates receiving U.S. Food and Drug Administration or the European Medicines Agency approval ("**Mandatory Conversion Date**"), all of the outstanding shares of Series A Preferred Stock will automatically convert to Common Stock (a "**Mandatory Conversion**"). Within three Business Days of the Mandatory Conversion Date, the

Company shall deliver to each Holder the Conversion Shares issuable upon conversion of such Holder's Series A Preferred Stock, and, within three Business Days after receipt of such Conversion Shares, each Holder shall return the certificates for its Series A Preferred Stock to the Company, provided that, any failure by the Holder to return a certificate for Series A Preferred Stock will have no effect on the Mandatory Conversion pursuant to this Section 6(b), which Mandatory Conversion will be deemed to occur on the Mandatory Conversion Date.

c) Conversion Shares. The number of Conversion Shares which the Company shall issue upon conversion of the Series A Preferred Stock (whether pursuant to Section 6(a) or 6(b)) will be equal to the number of shares of Series A Preferred Stock to be converted, multiplied by the Stated Value, divided by the Conversion Price in effect at the time of the conversion.

d) Mechanics of Conversion at Option of Holder

i. Delivery of Certificate Upon Conversion. Not later than three Trading Days after each Conversion Date, the Company shall deliver, or cause to be delivered, to the converting Holder a certificate or certificates which will contain appropriate restrictive legends and trading restrictions representing the number of Conversion Shares being acquired upon the conversion of shares of Series A Preferred Stock. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by the applicable Holder by the third Trading Day after the Conversion Date, the applicable Holder shall be entitled to pursue such legal remedies for the default as may be available and may also elect to rescind such Conversion Notice by written notice to the Company at any time on or before its receipt of such certificate or certificates, in which event the Company shall promptly return to such Holder any original Series A Preferred Stock certificate delivered to the Company and such Holder shall promptly return to the Company any Common Stock certificates representing the shares of Series A Preferred Stock unsuccessfully tendered for conversion to the Company.

ii. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series A Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series A Preferred Stock, not less than such aggregate number of shares of the Common Stock as are issuable upon the conversion of all outstanding shares of Series A Preferred Stock.

iii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of or as dividends on the Series A Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to purchase or be issued upon such conversion, the Company shall round up to the next whole share.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while the Series A Preferred Stock is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other

Common Stock Equivalents (which, for avoidance of doubt, will not include any shares of Common Stock issued by the Company upon conversion of this Series A Preferred Stock); (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price will be multiplied by a fraction of which the numerator will be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event and of which the denominator will be the number of shares of Common Stock, or in the event that clause (D) of this Section 7(a) will apply shares of reclassified capital stock, outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) will become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and will become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

c) Fundamental Transaction. If, at any time while the Series A Preferred Stock is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, or (C) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "**Fundamental Transaction**"), then, upon any subsequent conversion of the Series A Preferred Stock, the Holders shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "**Alternate Consideration**"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall adjust the Conversion Price in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration they receive upon any conversion of the Series A Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 7(c) and insuring that the Series A Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

d) Calculations. All calculations under this Section 7 will be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

e) Notice to the Holders. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

Section 8. Royalty Payment. The holders of the Series A being issued on the date hereof have also entered into a Royalty Agreement (the "Royalty Agreement") with the Company pursuant to which the Company has agreed to pay the holder of the Series A Preferred Stock a Royalty as set forth in and subject to the terms of the Royalty Agreement.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, by e-mail, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth in the Purchase Agreement or address as the Company may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally or sent by a nationally recognized overnight courier service, or by facsimile or e-mail, addressed to each Holder at the address of such Holder such forth in the Purchase Agreement or appearing on the books of the Company, or if no such address appears in the Purchase Agreement or on the books of the Company, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of the Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or upon actual receipt by the party to whom such notice is required to be given.

b) Lost or Mutilated Series A Preferred Stock Certificate. If a Holder's Series A Preferred Stock certificate becomes mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series A Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof reasonably satisfactory to the Company.

c) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designation will be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. All legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by this Certificate of Designation may be commenced only in the state and federal courts sitting in the City of New York, Borough of Manhattan.

e) Waiver. Any waiver by the Company or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Company or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Company or a Holder must be in writing.

f) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any dividend or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

g) Status of Converted Series A Preferred Stock. If any shares of Series A Preferred Stock shall be converted or reacquired by the Company, such shares shall resume the status of authorized but unissued Series A Preferred Stock, provided, however, that such shares may be reissued only as PIK Shares.

h. Assignment. The holders of the Series A Preferred Stock may not assign, transfer or sell the Series A Preferred Stock held by such holder or the rights under this Certificate of Designation without the prior written consent of the Company which shall not be unreasonably withheld.

[Signature page follows.]

IN WITNESS WHEREOF, this Certificate of Designation has been executed by a duly authorized officer of the Company as of this 21st day of September, 2016.

Name: Itamar Shimrat
Title: Chief Executive Officer

Exhibit 10.33

WARRANT

NO. CBTB __ _____ Shares

WARRANT TO PURCHASE COMMON STOCK

VOID AFTER 5:30 P.M., EASTERN TIME, ON THE EXPIRATION DATE

THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

FOR VALUE RECEIVED, Cell Source, Inc. a Nevada corporation (the "Company"), hereby agrees to sell upon the terms and on the conditions hereinafter set forth, but no later than 5:30 p.m., Eastern Time, on the Expiration Date (as hereinafter defined) to __ _____or registered assigns (the " Holder "), under the terms as hereinafter set forth, _____ (_____) fully paid and non-assessable shares of the Company's common stock (the "Common Stock"), par value $0.001 per share (the " Warrant Stock "), at a purchase price of $0.75 per share (the "Warrant Price"), pursuant to this warrant (this "Warrant"). The number of shares of Warrant Stock to be so issued and the Warrant Price are subject to adjustment in certain events as hereinafter set forth. The term "Common Stock" shall mean, when used herein, unless the context otherwise requires, the stock and other securities and property at the time receivable upon the exercise of this Warrant.

1. Exercise of Warrant and Redemption of Warrant.

a. The Holder may exercise this Warrant according to its terms by surrendering this Warrant to the Company at the address set forth in Section 10, the Notice of Exercise attached hereto having then been duly executed by the Holder, accompanied by cash, certified check or bank draft in payment of the purchase price, in lawful money of the United States of America, for the number of shares of the Warrant Stock specified in the Notice of Exercise, or as otherwise provided in this Warrant, prior to 5:30 p.m., Eastern Time, on July 24, 2019 (the " Expiration Date ").

Notwithstanding anything to the contrary herein, if at any time commencing beginning after the date of this Warrant, there is no effective registration statement registering, or no current prospectus available for the resale of the Warrant Stock by the Holder, then this Warrant may also be exercised at the Holder's election, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Stock equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the 3 day VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Warrant Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Stock that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market or OTCQB, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Board of Directors of the Company.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, and the OTC Markets.

This Warrant may be exercised in whole or in part so long as any exercise in part hereof would not involve the issuance of fractional shares of Warrant Stock. If exercised in part, the Company shall deliver to the Holder a new Warrant, identical in form, in the name of the Holder, evidencing the right to purchase the number of shares of Warrant Stock as to which this Warrant has not been exercised, which new Warrant shall be signed by the Chairman, Chief Executive Officer or President and the Secretary or Assistant Secretary of the Company. The term Warrant as used herein shall include any subsequent Warrant issued as provided herein.

b. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. The Company shall pay cash in lieu of fractions with respect to the Warrants based upon the fair market value of such fractional shares of Common Stock (which shall be the closing price of such shares on the exchange or market on which the Common Stock is then traded) at the time of exercise of this Warrant.

c. In the event of any exercise of the rights represented by this Warrant, a certificate or certificates for the Warrant Stock so purchased, registered in the name of the Holder, shall be delivered to the Holder within three (3) trading days after such rights shall have been so exercised (the " Warrant Stock Delivery Date "). The person or entity in whose name any certificate for the Warrant Stock is issued upon exercise of the rights represented by this Warrant shall for all purposes be deemed to have become the holder of record of such shares immediately prior to the close of business on the date on which the Warrant was surrendered and payment of the Warrant Price and any applicable taxes was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the opening of business on the next succeeding date on which the stock transfer books are open. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on exercise of this Warrant.

d. In addition to any other rights available to the Holder, if the Company fails to cause its transfer agent to transmit to the Holder a certificate or the certificates representing the Warrant Stock pursuant to an exercise on or prior to the Warrant Stock Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Stock which the Holder anticipated receiving upon such exercise (a " Buy-In "), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of shares of Warrant Stock that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of shares of Warrant Stock for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

e. Redemption of Warrant

(i) General. Prior to the Expiration Date, the Company shall have the option, subject to the conditions set forth herein, to redeem all of the Warrants then outstanding upon not less than thirty (30) days nor more than sixty (60) days prior written notice to the Warrant Holders at any time provided that, at the time of delivery of such notice (i) there is an effective registration statement covering the resale of the Warrant Shares, and (ii) the average trading price of the Company's Common Stock , or shares into which the Common Stock have been exchanged, for each of the twenty (20) consecutive trading days prior to the date of the notice of redemption is at least $2.50, as proportionately adjusted to reflect any stock splits, stock dividends, combination of shares or like events, with an average daily trading volume during such period of no less than 100,000 shares.

(ii) Notice. Notice of redemption will be effective upon mailing in accordance with this Section and such date may be referred to below as the "Notice Date." Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the Holders of the Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder received such notice.

(iii) Redemption Date and Redemption Price. The notice of redemption shall state the date set for redemption, which date shall be not less than thirty (30) days, or more than sixty (60) days, from the Notice Date (the "Redemption Date"). The Company shall not mail the notice of redemption unless all funds necessary to pay for redemption of the Warrants to be redeemed shall have first been set aside by the Company for the benefit of the Warrant Holders so as to be and continue to be available therefor. The redemption price to be paid to the Warrant Holders will be $0.01 for each share of Common Stock of the Company to which the Warrant Holder would then be entitled upon exercise of the Warrant being redeemed, as adjusted from time to time as provided herein (the "Redemption Price").

(iv) Exercise. Following the Notice Date, the Warrant Holders may exercise their Warrants in accordance with Section 1 of this Warrant between the Notice Date and 5:00 p.m. Eastern Time on the Redemption Date and such exercise shall be timely if the form of election to purchase duly executed and the Warrant Exercise Price for the shares of Common Stock to be purchased are actually received by the Company at its principal offices prior to 5:00 p.m. Eastern Time on the Redemption Date.

(v) Mailing. If any Warrant Holder does not wish to exercise any Warrant being redeemed, he should mail such Warrant to the Company at its principal offices after receiving the notice of redemption. On and after 5:00 p.m. Eastern Time on the Redemption Date, notwithstanding that any Warrant subject to redemption shall not have been surrendered for redemption, the obligation evidenced by all Warrants not surrendered for redemption or effectively exercised shall be deemed no longer outstanding, and all rights with respect thereto shall forthwith cease and terminate, except only the right of the holder of each Warrant subject to redemption to receive the Redemption Price for each share of Common Stock to which he would be entitled if he exercised the Warrant upon receiving notice of redemption of the Warrant subject to redemption held by him.

2. Disposition of Warrant Stock and Warrant.

a. The Holder hereby acknowledges that this Warrant and any Warrant Stock purchased pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act of 1933, as amended (the "Securities Act"), on the ground that the issuance of this Warrant is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or (ii) under any applicable state securities law because the issuance of this Warrant does not involve any public offering; and that the Company's reliance on the Section 4(2) exemption of the Act, as the case may be, and under applicable state securities laws is predicated in part on the representations hereby made to the Company by the Holder that it is acquiring this Warrant and will acquire the Warrant Stock for investment for its own account, with no present intention of dividing its participation with others or reselling or otherwise distributing the same, subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

The Holder hereby agrees that it will not sell or transfer all or any part of this Warrant and/or Warrant Stock unless and until it shall first have given notice to the Company describing such sale or transfer and furnished to the Company either (i) an opinion, reasonably satisfactory to counsel for the Company, of counsel (skilled in securities matters, selected by the Holder) to the effect that the proposed sale or transfer may be made without registration under the Act and without registration or qualification under any state law, or (ii) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed sale or transfer is made without registration under the Act.

b. If, at the time of issuance of the shares issuable upon exercise of this Warrant, no registration statement is in effect with respect to such shares under applicable provisions of the Act, the Company may at its election require that the Holder provide the Company with written reconfirmation of the Holder's investment intent and that any stock certificate delivered to the Holder of a surrendered Warrant shall bear legends reading substantially as follows:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES."

In addition, so long as the foregoing legend may remain on any stock certificate delivered to the Holder, the Company may maintain appropriate "stop transfer" orders with respect to such certificates and the shares represented thereby on its books and records and with those to whom it may delegate registrar and transfer functions.

3. Reservation of Shares. The Company hereby agrees that at all times there shall be reserved for issuance upon the exercise of this Warrant such number of shares of its Common Stock as shall be required for issuance upon exercise of this Warrant. The Company further agrees that all shares which may be issued upon the exercise of the rights represented by this Warrant will be duly authorized and will, upon issuance and against payment of the exercise price, be validly issued, fully paid and non-assessable, free from all taxes, liens, charges and preemptive rights with respect to the issuance thereof, other than taxes, if any, in respect of any transfer occurring contemporaneously with such issuance and other than transfer restrictions imposed by federal and state securities laws.

4. Exchange, Transfer or Assignment of Warrant. This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company or at the office of its stock transfer agent, if any, for other Warrants of different denominations, entitling the Holder or Holders thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. Upon surrender of this Warrant to the Company or at the office of its stock transfer agent, if any, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, the Company shall, without charge, execute and deliver a new Warrant in the name of the assignee named in such instrument of assignment and this Warrant shall promptly be canceled. This Warrant may be divided or combined with other Warrants that carry the same rights upon presentation hereof at the office of the Company or at the office of its stock transfer agent, if any, together with a written notice specifying the names and denominations in which new Warrants are to be issued and signed by the Holder hereof.

5. Capital Adjustments. This Warrant is subject to the following further provisions:

a. Intentionally Omitted.

b. Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its Common Stock, the number of shares of Warrant Stock purchasable upon exercise of this Warrant and the Warrant Price shall be proportionately adjusted.

c. Stock Dividends and Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall issue or pay the holders of its Common Stock, or take a record of the holders of its Common Stock for the purpose of entitling them to receive, a dividend payable in, or other distribution of, Common Stock, then (i) the Warrant Price shall be adjusted in accordance with Section 5(f) and (ii) the number of shares of Warrant Stock purchasable upon exercise of this Warrant shall be adjusted to the number of shares of Common Stock that the Holder would have owned immediately following such action had this Warrant been exercised immediately prior thereto.

d. Stock and Rights Offering to Shareholders. If the Company shall at any time after the date of issuance of this Warrant distribute to all holders of its Common Stock any shares of capital stock of the Company (other than Common Stock) or evidences of its indebtedness or assets (excluding cash dividends or distributions paid from retained earnings or current year's or prior year's earnings of the Company) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in the immediately preceding paragraph) (any of the foregoing being hereinafter in this paragraph called the "Securities"), then in each such case, the Company shall reserve shares or other units of such Securities for distribution to the Holder upon exercise of this Warrant so that, in addition to the shares of the Common Stock to which such Holder is entitled, such Holder will receive upon such exercise the amount and kind of such Securities which such Holder would have received if the Holder had, immediately prior to the record date for the distribution of the Securities, exercised this Warrant.

e. Intentionally Omitted.

f. Warrant Price Adjustment. Except as otherwise provided herein, whenever the number of shares of Warrant Stock purchasable upon exercise of this Warrant is adjusted, as herein provided, the Warrant Price payable upon the exercise of this Warrant shall be adjusted to that price determined by multiplying the Warrant Price immediately prior to such adjustment by a fraction (i) the numerator of which shall be the number of shares of Warrant Stock purchasable upon exercise of this Warrant immediately prior to such adjustment, and (ii) the denominator of which shall be the number of shares of Warrant Stock purchasable upon exercise of this Warrant immediately thereafter.

g. Certain Shares Excluded. The number of shares of Common Stock outstanding at any given time for purposes of the adjustments set forth in this Section 5 shall exclude any shares then directly or indirectly held in the treasury of the Company.

h. Deferral and Cumulation of De Minimis Adjustments. The Company shall not be required to make any adjustment pursuant to this Section 5 if the amount of such adjustment would be less than one percent (1%) of the Warrant Price in effect immediately before the event that would otherwise have given rise to such adjustment. In such case, however, any adjustment that would otherwise have been required to be made shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to not less than one (1%) percent of the Warrant Price in effect immediately before the event giving rise to such next subsequent adjustment.

i. Duration of Adjustment. Following each computation or readjustment as provided in this Section 5, the new adjusted Warrant Price and number of shares of Warrant Stock purchasable upon exercise of this Warrant shall remain in effect until a further computation or readjustment thereof is required.

6. Limitation on Exercises.

a. Notwithstanding anything to the contrary set forth in this Warrant, at no time may all or a portion of the Warrant be exercised if the number of shares of Common Stock to be issued pursuant to such exercise would exceed, when aggregated with all other shares of Common Stock owned by the Holder at such time, the number of shares of Common Stock which would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules thereunder) more than 4.99% of all of the Common Stock outstanding at such time; provided , however , that upon the Holder providing the Corporation with sixty-one (61) days' advance notice (the "4.99% Waiver Notice") that the Holder would like to waive this Section 6 (a) with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 6 (a) will be of no force or effect with regard to all or a portion of this Warrant referenced in the 4.99% Waiver Notice.

b. Notwithstanding anything to the contrary set forth in this Warrant, at no time may all or a portion of this Warrant be exercised if the number of shares of Common Stock to be issued pursuant to such exercise, when aggregated with all other shares of Common Stock owned by the Holder at such time, would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 9.99% of the then issued and outstanding shares of Common Stock outstanding at such time (the " 9.99% Beneficial Ownership Limitation " and the lower of the 9.99% Beneficial Ownership Limitation and the 4.99% Beneficial Ownership Limitation then in effect, the " Maximum Percentage ").

c. By written notice to the Company, the Holder may from time to time decrease the Maximum Percentage to any other percentage specified in such notice

d. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Company's most recent Form 10-K, Form 10-Q, Current Report on Form 8-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) business day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 6 to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

7. Notice to Holders.

a. Notice of Record Date. In case:

(i) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time receivable upon the exercise of this Warrant) for the purpose of entitling them to receive any dividend (other than a cash dividend payable out of earned surplus of the Company) or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right;

(ii) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation with or merger of the Company into another corporation, or any conveyance of all or substantially all of the assets of the Company to another corporation; or

(iii) of any voluntary dissolution, liquidation or winding-up of the Company;

then, and in each such case, the Company will mail or cause to be mailed to the Holder hereof at the time outstanding a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the date on which such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up is to take place, and the time, if any, is to be fixed, as of which the holders of record of Common Stock (or such stock or securities at the time receivable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, dissolution or winding-up. Such notice shall be mailed at least thirty (30) days prior to the record date therein specified, or if no record date shall have been specified therein, at least thirty (30) days prior to such specified date, provided, however, failure to provide any such notice shall not affect the validity of such transaction.

b. Certificate of Adjustment. Whenever any adjustment shall be made pursuant to Section 5 hereof, the Company shall promptly make a certificate signed by its Chairman, Chief Executive Officer, President, Vice President, Chief Financial Officer or Treasurer, setting forth in reasonable detail the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated and the Warrant Price and number of shares of Warrant Stock purchasable upon exercise of this Warrant after giving effect to such adjustment, and shall promptly cause copies of such certificates to be mailed (by first class mail, postage prepaid) to the Holder of this Warrant.

8. Loss, Theft, Destruction or Mutilation. Upon receipt by the Company of evidence satisfactory to it, in the exercise of its reasonable discretion, of the ownership and the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Company and, in the case of mutilation, upon surrender and cancellation thereof, the Company will execute and deliver in lieu thereof, without expense to the Holder, a new Warrant of like tenor dated the date hereof.

9. Warrant Holder Not a Stockholder. The Holder of this Warrant, as such, shall not be entitled by reason of this Warrant to any rights whatsoever as a stockholder of the Company.

10. Notices. Any notice required or contemplated by this Warrant shall be deemed to have been duly given if transmitted by registered or certified mail, return receipt requested, or nationally recognized overnight delivery service**,** to the Company at its principal executive offices, Attn: Chief Executive Officer, or to the Holder at the name and address set forth in the Warrant Register maintained by the Company.

11. Choice of Law. THIS WARRANT IS ISSUED UNDER AND SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

12. Jurisdiction and Venue. The Company and Holder hereby agree that any dispute which may arise between them arising out of or in connection with this Warrant shall be adjudicated before a court located in New York County, New York and they hereby submit to the exclusive jurisdiction of the federal and state courts of the State of York located in New York County with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Warrant or any acts or omissions relating to the sale of the securities hereunder, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth herein or such other address as either party shall furnish in writing to the other.

13. Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent signed by both (a) the Company and (b) holders of Warrants representing a majority of the Warrant Stock then outstanding and not exercised

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed on its behalf, in its corporate name and by its duly authorized officers, as of this __ day of July, 2016.

By:
Name: Itamar Shimrat
Title: CEO

NOTICE OF EXERCISE

TO: _____
Tel: (___) ___-____
Fax: (___) ___-____

(1) The undersigned hereby elects to purchase _____ shares of Warrant Stock of the Company pursuant to the terms of the attached Warrant to Purchase Common Stock, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of:

☐ in lawful money of the United States

Please issue a certificate or certificates representing said shares of Warrant Stock in the name of the undersigned or in such other name as is specified below:

The shares of Warrant Stock shall be delivered to the following DWAC Account Number, if permitted, or by physical delivery of a certificate to:

---

(3) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity:

Signature of Authorized Signatory of Investing Entity:

Name and Title of Authorized Signatory:

Date:

ASSIGNMENT FORM

(To assign the foregoing warrant, execute

this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, all of or _____ shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____whose address is
_____
_____

Dated: _____, ____

Holder's Name:

Holder's Signature:

Name and Title of Signatory:

Holder's Address:

Signature Guaranteed:

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.34

SECOND AMENDMENT TO RESEARCH AND LICENCE AGREEMENT
(this "Amendment")

Effective Date: November 28, 2016

By and between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED
a company duly registered under the laws of Israel of P O Box 95, Rehovot 76100, Israel
(hereinafter, **"Yeda"**)

and

CELL SOURCE LIMITED
a company duly registered under the laws of Israel of 5 Kineret Street, Bnei Brak 5126237
(hereinafter, **"Cell Source"**)

WHEREAS Yeda and Cell Source are parties to a research and licence agreement dated October 3rd, 2011, as amended by a first amendment thereto dated April 8, 2014 (together, "**the R&L Agreement"**); and

WHEREAS Cell Source has notified Yeda in writing that it does not wish to exercise its option rights under the Evaluation and Exclusive License Agreement between the parties dated October 3rd, 2011 (as amended from time to time), and the parties wish to amend the R&L Agreement accordingly; and

WHEREAS the parties also wish to update Appendix A (Patent Cards) of the R&L Agreement, to amend the development milestones and to make certain additional amendments to the R&L Agreement, all subject to the terms and conditions set out in this Amendment below.

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases used in this Amendment which are defined in the R&L Agreement shall have in this Amendment the same meaning as that attributed to them in the R&L Agreement, unless otherwise expressly defined in this Amendment.

2. This Amendment and the R&L Agreement shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the R&L Agreement shall remain unaltered and in full force and effect.

3. The above preamble forms an integral part of this Amendment.

4. The R&L Agreement shall be modified, as of the Effective Date, as follows:

4.1 In the first paragraph of the preamble thereto, the numbers "2000-017, 2005-082, 2008-108, 2010-071, 2010-073, 2011-077" shall be deleted and replaced by the following: "2000-017, 2008-108, 2010-073, 2011-077, 2011-095, 2015-049, 2015-062, 2016-027" and Appendix A to the R&L Agreement shall be replaced in its entirety by **Annex A** of this Amendment;

4.2 The final paragraph of the preamble thereto (including Appendix 1 thereto which is referenced in said paragraph) shall be deleted in its entirety;

4.3 Clause 3 thereto shall be amended such that the words: "provided that, in the event the a R&L Agreement shall be executed between the parties in accordance of the E&O Agreement (as amended), then the annual Research Budget in respect of the Research Period shall, beginning on the date such R&L Agreement shall be signed, be an amount of US$ 900,000 (nine hundred thousand US Dollars) per year" shall be deleted;

4.4 The final paragraph of clause 3 thereto shall be deleted in its entirety and replaced by the following:

> "In addition to the sums detailed in this clause 3 above, within 7 (seven) days of the achievement of the Company of the receipt of an aggregate total equity capital investment in the Company of more than $10,000,000 (ten million US dollars), the Company shall pay Yeda a non-refundable payment in the sum of US $200,000 (two hundred thousand US Dollars) (the "**Additional Research Payment**"). The Additional Research Payment shall be allocated by Yeda to support research activities of the Scientist under this Agreement according to an additional Research plan to be submitted to the Company by Yeda.

4.5 In clause 4 thereto, the words "3 (three) month" shall be deleted wherever they appear and replaced by the words "6 (six) month";

4.6 Clause 13.2.1 shall be deleted in its entirety and replaced by the following:

> "13.2.1 If the Company fails to achieve any one of the milestones set forth in sub-clauses (a) to (e) below by the dates specified therefor, Yeda shall be entitled, at its option: (i) to modify the Licence hereunder so that it is non-exclusive only, by written notice to the Company (any such amendment of this Agreement by Yeda as aforesaid, being effective immediately, the Company's consent thereto (written or otherwise) not being required, notwithstanding the provisions of clause 17.2 below); or (ii) to terminate this Agreement (including the Licence hereunder) by giving the Company 30 (thirty) days' written notice:
>
> (a) by January 1, 2018, to have successfully filed a pre-IND application in respect of a Product with the FDA or other equivalent regulatory agency in another country;
>
> (b) by January 1, 2021, to have commenced Phase II clinical trials in a respect of a Product;

(c) by July 1, 2023, to have either commenced Phase III clinical trials or to have received FDA or EMA marketing approval in a respect of a Product ("**Marketing Approval**");

(d) within 12 (twelve) months from the date of Marketing Approval, to have made a First Commercial Sale of a Product; or

(e) in case commercial sale of any Product having commenced, there shall be a period of 12 (twelve) months or more during which no sales of any Product shall take place by the Company or its Sublicensees (except as a result of force majeure or other factors beyond the control of the Company).";

4.7 In clause 13 thereto, the words "which has not been cured by the party in breach within 21 (twenty-one) days (or, in the case of failure by the Company to pay any amount due from the Company to Yeda pursuant to or in connection with this Agreement on or before the due date of payment, 10 (ten) days)" shall deleted and replaced by the words: "which has not been cured by the party in breach within 30 (thirty) days";

and

4.8 Yeda's bank details in clause 17.7 thereto shall deleted and replaced by the following: "Bank Leumi le–Israel B.M., Rehovot business branch, 2 Ilan Ramon Street, Ness Ziona, branch #978, account no. 6370094; swift: LUMIILITTLV, Routing Number: IL010978, IBAN no. IL7401 09780 0000 0637 0094".

5. For the avoidance of doubt, this Amendment constitutes the entire agreement between the parties hereto in respect of the subject matter hereof, and supersede all prior agreements or understandings between the parties relating to the subject matter hereof (including any previous correspondence in this regard, between the parties, or on their behalf) and may be amended only by a written document signed by both parties hereto.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have set their signatures as of the Effective Date.

For	**YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED**	**For**	**CELL SOURCE LIMITED**
Signature:	**/s/ Mudl Sheves** **/s/ Gil Granot-Mayor**	**Signature:**	**/s/ Itamar Shimrat**
Name	**Prof. Mudl Sheves** **Gil-Granot-Mayor**	**Name:**	**Itamar Shimrat**
Title	**Chairman** **CEO**	**Title:**	**Chief Executive Officer**

Annex A – Updated Patent Cards

PATENT CARD

2000-017

Title: VETO CELLS EFFECTIVE IN PREVENTING GRAFT REJECTION AND DEVOID OF GRAFT VERSUS HOST POTENTIAL

Inventors: REISNER Yair, MARTELLI Massimo

Country	Application	Publication	Grant	Status
U.S.A	05/01/2000 - 09/477,737	-	6,544,506 - 08/04/2003	Granted
PCT	28/12/2000 - PCT/IL00/00872	12/07/2001 - WO 01/49243	-	Published
European Patent Office	28/12/2000 - 00983473.0	02/10/2002 - 1 244 803	1 244 803 - 22/02/2006	Validated
France	28/12/2000 - 00983473.0	-	1 244 803 - 22/02/2006	Granted
Germany	28/12/2000 - 00983473.0	-	60026166.2 - 22/02/2006	Granted
Italy	28/12/2000 - 00983473.0	-	1 244 803 - 22/02/2006	Granted
Switzerland	28/12/2000 - 00983473.0	-	1 244 803 - 22/02/2006	Granted
United Kingdom	28/12/2000 - 00983473.0	-	1 244 803 - 22/02/2006	Granted
Israel	28/12/2000 - 150440	-	150440 - 31/03/2011	Granted
U.S.A	28/12/2000 - 10/169,028	-	7,270,810 - 18/09/2007	Granted

PATENT CARD

2008-108

Title: ANTI THIRD PARTY CENTRAL MEMORY T CELLS, METHODS OF PRODUCING SAME AND USE OF SAME IN TRANSPLANTATION AND DISEASE TREATMENT

Inventors: REISNER Yair, OPHIR Eran, EIDELSTEIN Yaki, BACHAR-LUSTIG Esther

Country	Application	Publication	Grant	Status
U.S.A	30/10/2008 - 61/193,137	-	-	Expired
U.S.A	12/06/2009 - 61/213,482	-	-	Expired
PCT	29/10/2009 - PCT/IL2009/001014	06/05/2010 - WO 2010/049935	-	Published
China	29/10/2009 - 200980153053.4	07/12/2011 - 102271702	ZL200980153053.4 - 25/11/2015	Granted
European Patent Office	29/10/2009 - 09764302.7	21/09/2011 - 2 365 823	-	Pending
India	29/10/2009 - 905/MUMNP/2011	-	-	Pending
Israel	29/10/2009 - 212587	-	212587 - 01/04/2016	Granted
Russian Federation	29/10/2009 - 2011121630	-	2506311 - 10/02/2014	Granted
U.S.A	29/10/2009 - 13/126,472	01/09/2011 - 2011-0212071	-	Pending

PATENT CARD

2010-073

Title: USE OF ANTI THIRD PARTY CENTRAL MEMORY T CELLS FOR ANTI-LEUKEMIA/LYMPHOMA TREATMENT

Inventors: REISNER Yair, LASK Assaf, OPHIR Eran, OR-GEVA Noga, COHEN Adva

Country	Application	Publication	Grant	Status
U.S.A	08/09/2010 - 61/380,716	-	-	Expired
PCT	08/09/2011 - PCT/IL2011/000727	15/03/2012 - WO 2012/032526	-	Published
Brazil	08/09/2011 - BR 11 2013 005756 4	31/12/2013 - BR 11 2013 005756 4	-	Published
Canada	08/09/2011 - 2,810,632	-	-	Pending
China	08/09/2011 - 201610307275.9	31/08/2016 - CN 105907713 A	-	Published
China	08/09/2011 - 201180053858.9	04/09/2013 - CN 103282047 A	ZL201180053858.9 - 24/08/2016	Granted
European Patent Office	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Validated
Austria	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Belgium	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Czech Republic	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
France	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Germany	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Greece	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Hungary	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Ireland	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Italy	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Poland	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Portugal	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Spain	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Sweden	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Switzerland	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
The Netherlands	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
Turkey	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted
United Kingdom	08/09/2011 - 11773325.3	17/07/2013 - 2 613 801	2 613 801 - 08/06/2016	Granted

Hong Kong	08/09/2011 - 14100513.2	-	-	Allowed
Israel	08/09/2011 - 225102	-	-	Pending
Japan	08/09/2011 - 2013-527738	30/09/2013 - P2013-537187A	5,977,238 - 29/07/2016	Granted
Korea	08/09/2011 - 2013-7008892	-	-	Pending
Mexico	08/09/2011 - MX/a/2013/002668	-	-	Pending
Singapore	08/09/2011 - 201301743-9	-	188473 - 26/01/2016	Granted
U.S.A	08/09/2011- 15/242,666	-	-	Pending
U.S.A	08/09/2011 - 13/821,255	04/07/2013 - 2013-0171108-A1	9,421,228 - 23/08/2016	Granted

PATENT CARD

2011-077

Title: ANTI THIRD PARTY CENTRAL MEMORY T CELLS, METHODS OF PRODUCING SAME AND USE OF SAME IN TRANSPLANTATION AND DISEASE TREATMENT

Inventors: REISNER Yair, EIDELSTEIN Yaki, OPHIR Eran, LASK Assaf, AFIK Ran, BACHAR-LUSTIG Esther, OR-GEVA Noga

Country	Application	Publication	Grant	Status
U.S.A	08/09/2011 - 61/532,172	-	-	Expired
PCT	06/09/2012 - PCT/IL2012/050354	14/03/2013 - WO 2013/035099	-	Published
Australia	06/09/2012 - 20120305931	-	-	Pending
Brazil	06/09/2012 - BR 11 2014 005355 3	21/10/2014 -	-	Published
Canada	06/09/2012 - 2,848,121	-	-	Pending
China	06/09/2012 - 201280054739.X	16/07/2014 - CN 103930130 A	201280054739.X - 06/06/2016	Granted
European Patent Office	06/09/2012 - 12769743.1	16/07/2014 - 2753351	-	Pending
Hong Kong	06/09/2012 - HK 15100534.6	31/07/2015 - 1200099A	-	Published
India	06/09/2012 - 577/MUMNP/2014	-	-	Pending
Israel	06/09/2012 - 231397	-	-	Pending
Japan	06/09/2012 - 2014-529143	06/10/2014 - P2014-526244A	-	Published
Korea	06/09/2012 - 10-2014-7009267	23/07/2014 - 10-2014-0092298	-	Published
Mexico	06/09/2012 - MX/a/2014/002771	-	-	Pending
New Zealand	06/09/2012 - 622749	-	622749 - 02/02/2016	Granted
Russian Federation	06/09/2012 - 2014110897	-	-	Pending
Singapore	06/09/2012 - 11201400513P	-	-	Pending
South Africa	06/09/2012 - 2014/01993	19/09/2014 -	-	Allowed
U.S.A	06/09/2012 - 14/343,053	31/07/2014 - 2014-0212398	-	Pending

PATENT CARD

2011-095

Title: A COMBINATION THERAPY FOR A STABLE AND LONG TERM ENGRAFTMENT USING SPECIFIC PROTOCOLS FOR T/B CELL DEPLETION

Inventors: REISNER Yair, BACHAR-LUSTIG Esther

Country	Application	Publication	Grant	Status
U.S.A	22/12/2011 - 61/578,917	-	-	Expired
PCT	20/12/2012 - PCT/IL2012/050542	27/06/2013 - WO 2013/093920	-	Published
PCT	20/12/2012 - PCT/IL2012/050541	27/06/2013 - WO 2013/093919	-	Published
Australia	20/12/2012 - 2012355990	-	-	Pending
Australia	20/12/2012 - 2012355989	-	-	Pending
Brazil	20/12/2012 - BR 11 2014 015960 2	21/10/2014 -	-	Pending
Brazil	20/12/2012 - BR 11 2014 015959 9	-	-	Pending
Canada	20/12/2012 - 2,859,953	27/06/2013 -	-	Pending
Canada	20/12/2012 - 2,859,952	27/06/2013 -	-	Pending
China	20/12/2012 - 201280068202.9	25/03/2015 - CN 104470542 A	-	Pending
China	20/12/2012 - 201280068917.4	08/10/2014 - CN 104093314 A	-	Pending
European Patent Office	20/12/2012 - 12859036.1	29/10/2014 - 2793914	-	Pending
European Patent Office	20/12/2012 - 12861023.5	05/11/2014 - 2797421	-	Pending
Hong Kong	20/12/2012 - 15103467.1	09/10/2015 - 1202810A	-	Published
Hong Kong	20/12/2012 - 15103468.0	09/10/2015 - 1202775A	-	Published
India	20/12/2012 - 1468/MUMNP/2014	27/06/2013 -	-	Pending
India	20/12/2012 - 1467/MUMNP/2014	27/06/2013 -	-	Pending
Israel	20/12/2012 - 233303	27/06/2013 - WO 2013/093920	-	Pending
Israel	20/12/2012 - 233302	27/06/2013 - WO 2013/093919	-	Pending
Japan	20/12/2012 - 2014-548337	05/02/2015 - P2015-504047A	-	Pending
Japan	20/12/2012 - 2014-548336	22/01/2015 - 2015-502401	-	Pending
Korea	20/12/2012 - 10-2014-702449	04/09/2014 - 10-2014-0107564	2014/05071 - 25/11/2015	Granted
Korea	20/12/2012 - 10-2014-7020448	02/09/2014 - 10-2014-0105848	-	Published
Mexico	20/12/2012 - Mx/a/2014/007647	-	-	Pending
Mexico	20/12/2012 - Mx/a/2014/007648	27/06/2013 - WO 2013/093919	-	Pending
New Zealand	20/12/2012 - 627272	-	-	Pending
New Zealand	20/12/2012 - 627549	-	-	Pending

Russian Federation	20/12/2012 - 2014128479	-	-	Pending
Russian Federation	20/12/2012 - 2014129632	27/06/2013 - WO 2013/093919	-	Pending
Singapore	20/12/2012 - 11201403459X	-	-	Pending
Singapore	20/12/2012 - 11201403456U	-	11201403456U - 08/06/2016	Granted
South Africa	20/12/2012 - 2014/05071	-	2014/05071 - 25/11/2015	Granted
South Africa	20/12/2012 - 2014/05298	-	2014/05298 - 25/11/2015	Granted
U.S.A	20/12/2012 - 14/367,923	18/12/2014 - 2014-0369974	-	Published
U.S.A	20/12/2012 - 14/367,917	11/12/2014 - 2014-0363437	-	Published

PATENT CARD

2015-049

Title: USE OF ANTI THIRD PARTY CENTRAL MEMORY T CELLS

Inventors: OR-GEVA Noga, OPHIR Eran, REISNER Yair, EIDELSTEIN Yaki, GIDRON Rotem

Country	Application	Publication	Grant	Status
U.S.A	16/07/2015 - 62/193,207	-	-	Expired
PCT	14/07/2016 - PCT/IL2016/050774	-	-	Pending

PATENT CARD

2015-062

Title: GENETICALLY MODIFIED ANTI-THIRD PARTY CENTRAL MEMORY T CELLS AND USE OF SAME IN IMMUNOTHERAPY

Inventors: OR-GEVA Noga, OPHIR Eran, REISNER Yair, EIDELSTEIN Yaki, GIDRON Rotem

Country	Application	Publication	Grant	Status
U.S.A	16/07/2015 - 62/193,207	-	-	Expired
PCT	14/07/2016 -	-	-	Pending

PATENT CARD

2016-027

Title: VETO CELLS GENERATED FROM MEMORY T CELLS

Inventors: REISNER Yair, OR-GEVA Noga, GIDRON Rotem, BACHAR-LUSTIG Esther, LASK Assaf, KAGAN Sivan

Country	Application	Publication	Grant	Status
U.S.A	27/06/2016 -	-	-	Pending

Exhibit 10.35

THIRD AMENDMENT TO
RESEARCH AND LICENCE AGREEMENT

Made and entered in to this 29th day of March, 2018

By and between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED
a company duly registered under the laws of Israel of P O Box 95, Rehovot 76100, Israel
(hereinafter, **"Yeda"**)

and

CELL SOURCE LIMITED
a company duly registered under the laws of Israel of 5 Kineret St., Bnei Brak, Israel 5126237
(hereinafter, **"Cell Source"**)

WHEREAS Yeda and Cell Source are parties to a research and licence agreement dated October 3, 2011, as amended by a first amendment thereto dated April 8, 2014 and a second amendment dated November 28, 2016 ("**the R&L Agreement"**); and

WHEREAS Cell Source wishes to fund additional research at the Institute, to be carried out jointly by Prof. Zelig Eshhar and Prof. Yair Reisner until March 1, 2018, and thereafter by Prof. Zelig Eshhar and Prof. Ruth Arnon (the "**Scientists**"), as more particularly set out herein, and Yeda is willing, subject to and in accordance with the terms and conditions of this Amendment, to procure the performance of the additional research at the Institute,

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Amendment.

1.1. Terms and phrases used in this Amendment which are defined in the R&L Agreement shall have in this Amendment the same meaning as that attributed to them in the R&L Agreement, unless otherwise expressly defined in this Amendment.

1.2. This Amendment and the R&L Agreement shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the R&L Agreement shall remain unaltered and in full force and effect.

1.3. The above preamble and the appendices hereto form an integral part of this Amendment.

2. Additional Research.

2.1. In addition to the Research conducted pursuant to the R&L Agreement, and in consideration of the sums to be paid by the Company to Yeda pursuant to clause 2.2 below, Yeda undertakes to procure the performance of the research program attached hereto as Annex A (the "**Additional Research**") at the Institute during the 12-month period commencing on January 1, 2018 (the "**Additional Research Period**").

2.1.1. From January 1, 2018 until February 28, 2018, the Additional Research shall be performed under the supervision of Prof. Zelig Eshhar and Prof. Yair Reisner.

2.1.2. From March 1, 2018 through the end of the Additional Research Period, the Additional Research shall be performed under the supervision of Prof Zelig Eshhar and Prof. Ruth Arnon.

2.2. The Company undertakes to pay to Yeda the amount of US$ 100,000 (one hundred thousand US dollars) (the "**Additional Research Budget**") as follows:

2.2.1. The amount of US$ 50,000 (fifty thousand US dollars), to fund the portion of the Additional Research to be conducted under the supervision of Prof. Yair Reisner and Prof. Ruth Arnon, which amount shall be deducted from the Research Budget payable during the "year" of the Research, pursuant to the R&L Agreement, during with this Amendment is executed; and

2.2.2. The amount of US$ 50,000 (fifty thousand US dollars) to fund the portion of the Additional Research to be conducted under the supervision of Prof. Zelig Eshhar. For avoidance of doubt no deduction shall be made to the Research Budget in respect of the payment of this amount.

2.3. The Additional Research Budget shall be paid in full within 14 days of the date of execution hereof. Other than with respect to amount and payment dates, which shall be governed by the provisions hereof, the Additional Research Budget shall be governed by the terms of the R&L Agreement which pertain to the Research Budget.

2.4. The provisions of sections 2.2 of the R&L Agreement shall apply mutatis mutandis in the case that one or both of the Scientists shall cease to be available for the supervision of the performance of the Additional Research.

2.5. All right and title to the results of the Additional Research shall vest in Yeda, and such results shall be deemed Licensed Information pursuant to the R&L Agreement.

2.6. With respect to the Company's license to the results of the Additional Research only, the definition of "Products" in the R&L Agreement shall be deemed to include products for CAR-T cell therapy for treatment of disease.

2.7. Notwithstanding the provisions of sections 4.1 and 4.2 of the R&L Agreement, Yeda shall procure submission by the Scientists of a written report finalizing the results of the Additional Research within 60 days of the conclusion of the Additional Research, no interim reports being required, and Yeda shall submit to the Company a final financial report within 60 days of the conclusion of the Additional Research, no interim financial reports being required.

2.8. No representation or warranty is granted by the Company with respect to the results of the Additional Research, as set forth more fully in section 2.3 of the R&L Agreement.

2.9. The provisions of the sections 2.2 and 2.3 of the R&L Agreement shall apply to the Additional Research.

2.10. The terms and conditions of the R&L Agreement with respect to the Research shall apply mutatis mutandis to the Additional Research and the results thereof, unless expressly provided otherwise herein.

3. Entire Agreement. For the avoidance of doubt, the R&L Agreement and this Amendment constitute the entire agreement between the parties hereto in respect of the subject matter hereof, and supersede all prior agreements or understandings between the parties relating to the subject matter hereof (including any previous correspondence in this regard, between the parties, or on their behalf) and may be amended only by a written document signed by both parties hereto.

IN WITNESS WHEREOF the parties hereto have set their signatures as of this 29 th day of March, 2018.

For	**YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED**	**for**	**CELL SOURCE LIMITED**
Signature:	**/s/ Mudl Sheves** **/s/ Gil Granot- Mayor**	**Signature:**	**/s/ Itamar Shimrat**
Name	**Prof. Mudl Sheves** **Gil Granot-Mayor**	**Name:**	**Itamar Shimrat**
Title	**Chairman** **CEO**	**Title:**	**Chief Executive Officer**

Annex A

Additional Research

Work plan for Cell Source: 1st April 2018 - June 2019*

1. **Human studies:**

A. Human VETO-project: continue collaboration with Zelig.

A.1 Define optimal procedure for attaining VETO-CAR cells that retain their veto activity in-vitro after transfection and exhibit specific killing of a tumor cell line expressing the CAR antigen target using the vector against Her-2.

A.2 Based on A1 attempt to optimize VETO-CAR cells for multiple myeloma.

B. Continue our attempts to develop a short assay for veto activity.

Mouse studies:

B. Continue to optimize the use of genetically modified veto cells (OT1-veto) as opposed to OT1 and veto infused separately.

C. Finalize the study on the potential role of Tcm plus BM in the treatment of autoimmune NOD diabetic mice.

D. Continue to investigate the potential role of Tcm plus BM in the treatment of sickle cell disease in mice.

E. Continue to investigate the feasibility of generating anti-leukemia veto cells following immunization of the donor with leukemia specific antigens.

Exhibit 10.36

FOURTH AMENDMENT TO
RESEARCH AND LICENCE AGREEMENT
(this "Amendment")

Effective Date: March 30, 2018

By and between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED
a company duly registered under the laws of Israel of P O Box 95, Rehovot 76100, Israel
(hereinafter, **"Yeda"**)

and

CELL SOURCE LIMITED
a company duly registered under the laws of Israel of 5 Kineret Street, Bnei Brak 5126237
(hereinafter, **"Cell Source"**)

WHEREAS Yeda and Cell Source are parties (the "Parties") to a research and licence agreement dated October 3, 2011, as amended by a first amendment thereto dated April 8, 2014 a second amendment thereto dated November 28, 2016, and a third amendment dated March 29, 2018 (together, "**the R&L Agreement"**); and

WHEREAS Professor Yair Reisner is leaving the Weizmann Institute of Science (the "Institute") and commencing employment at the University of Texas M.D. Anderson Cancer Center, (hereinafter "MDA") in Texas in the United States of America; and

WHEREAS the Parties are aware that Prof. Ruth Arnon shall be assuming the role of supervising the Research as defined in the R&L Agreement; and

WHEREAS the Parties also wish to modify the R&L Agreement with respect to the milestones and other aspects of the Research;

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases used in this Amendment which are defined in the R&L Agreement shall have in this Amendment the same meaning as that attributed to them in the R&L Agreement, unless otherwise expressly defined in this Amendment.

2. This Amendment and the R&L Agreement shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the R&L Agreement shall remain unaltered and in full force and effect.

3. The above preamble and sections form an integral part of this Amendment.

4. Cell Source acknowledges that it has, and shall have, no claim against Yeda, the Institute, or Prof. Yair Reisner, or their continued use of IP owned by Yeda and licensed to the Company with regard to the departure of Prof. Yair Reisner from the Institute.

5. Clause 3 of the R&L Agreement shall be modified, with effect as of the Effective Date, whereby:

   5.1 The Research Budget for the seventh year of the Research shall be decreased from seven hundred fifty thousand (US$ 750,000) dollars (as having been reduced in Section 2.2.1 of the Third Amendment) to five hundred thousand (US$ 500,000) dollars, so that:

   a. Instalments paid with respect to the period between October 2017 – March 2018 shall not be effected;

   b. The instalment payable with respect to the Research conducted during April-June 2018 shall be in the amount of one hundred thousand (US$ 100,000) dollars, in place of two hundred thousand (US$ 200,000) dollars; and

   c. The instalment payable with respect to the Research conducted during July-September 2018 shall be in the amount of fifty thousand (US$ 50,000) dollars, in place of two hundred thousand (US$ 200,000) dollars.

   5.2 The Research Budget for the eighth year of the Research shall be the amount of one hundred thousand (US$ 100,000) dollars, payable in the following instalments:

   a. For the period of October-December 2018: fifty thousand (US$ 50,000) dollars;

   b. For the period of January-March 2019: twenty-five thousand (US$ 25,000) dollars;

   c. For the period of April-June 2019: twenty-five thousand (US$ 25,000) dollars.

   5.3 The final paragraph of clause 3 thereto shall be deleted in its entirety.

6. The milestone stated in Clause 13.2.1(a) (by January 1, 2018, to have successfully filed a pre-IND application in respect of a Product with the FDA or other equivalent regulatory agency in another country) is deemed achieved based upon the representations provided by the Company in respect of 'internal IND' procedures having been concluded at MDA.

7. The milestone in Clause 13.2.1(b) shall be replaced by the following:

   (b) by January 1, 2022, to commence Phase II clinical trials with respect to the First Product;

8. The milestone in Clause 13.2.1(c) shall be replaced by the following:

(c) by January 1, 2025, to have either commenced Phase III clinical trials or to have received FDA or EMA marketing approval in respect of a product ("Marketing Approval"); however, if the Company can prove to Yeda's satisfaction, at Yeda's sole discretion, that Phase III is not necessary for obtaining marketing approval, then this milestone need not be achieved.

9. The work plan included as Annex A to the Third Amendment to the Research and Licence Agreement shall be replaced by the Work Plan for Cell Source:1st April 2018 – 30 June 2019, annexed hereto as **Annex A**.

10. The work plan included as Appendix B to the Research and Licence Agreement shall continue to apply, subject to the modifications in the Work Plan for Cell Source (Ruth Arnon only): 1 st April 2018 – 30 June 2019, annexed hereto as **Annex B**.

11. Yeda's bank details in clause 17.7 thereto shall deleted and replaced by the following: "Account no. 5320022, Bank Leumi le Israel B.M, LeumiTech Herzliya branch no. 864 Swift code: LUMIILITXXX. Routing no. IL010864. IBAN: IL72 0108 6400 0007 5320 022. Branch address: 15 Galalei Haplada, Herzliya, Israel".

12. For the avoidance of doubt, this Amendment constitutes the entire agreement between the parties hereto in respect of the subject matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject matter hereof (including any previous correspondence in this regard, between the parties, or on their behalf), and may be amended only by a written document signed by both parties hereto.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have set their signatures as of the Effective Date.

For YEDA RESEARCH AND DEVELOPMENT CO., LTD		**For CELL SOURCE LIMITED**	
Signature:	**/s/ Mudl Sheves** **/s/ Gil Granot-Mayor**	**Signature:**	**/s/ Itamar Shimrat**
Name	**Prof. Mudl Sheves** **Gil Granot-Mayor**	**Name:**	**Itamar Shimrat**
Title	**Chairman** **CEO**	**Title:**	**Chief Executive Officer**

Annex A

Work plan for Cell Source: 1st April 2018 – 30 June 2019*

1.Human studies :

A. Human VETO-project : continue collaboration with Zelig.

A.1 Define optimal procedure for attaining VETO-CAR cells that retain their veto activity in-vitro after transfection and exhibit specific killing of a tumor cell line expressing the CAR antigen target using the vector against Her-2.

A.2 Based on A1 attempt to optimize VETO-CAR cells for multiple myeloma.

* The proposed plan might be changed according to progress and therefore while some aims will be intensively investigated other might not be performed.

Annex B

Work plan for Cell Source (Ruth Arnon only) : 1st April 2018 – 30 June 2019*

2. Human studies :

A . Continue our attempts to develop a short assay for veto activity.

Mouse studies:

B. Continue to optimize the use of genetically modified veto cells (OT1-veto) as opposed to OT1 and veto infused separately.

C. Finalize the study on the potential role of Tcm plus BM in the treatment of autoimmune NOD diabetic mice.

D. Continue to investigate the potential role of Tcm plus BM in the treatment of sickle cell disease in mice

E. Continue to Investigate the feasibility of generating anti-leukemia veto cells following immunization of the donor with leukemia specific antigens.

* The proposed plan might be changed according to progress and therefore while some aims will be intensively investigated other might not be performed.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Itamar Shimrat, certify that:

1. I have reviewed this report on Form 10-K of Cell Source, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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.

Dated: July 24, 2018

By: /s/ Itamar Shimrat
Itamar Shimrat
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cell Source, Inc. (the "Company") on Form 10-K for the years ended December 31, 2017 and 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Itamar Shimrat, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 24, 2018

By: /s/ Itamar Shimrat
Itamar Shimrat
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)