

## Convenience translation

### CollPlant Ltd. ("the Company")

February 1, 2016

### Shelf Offering Memorandum

[Non-Standard Offering]

Under the Company's shelf prospectus dated November 24, 2015 ("the Shelf Prospectus" or "the Prospectus"), and in accordance with the provisions of the Securities Regulations (Shelf Offering of Securities) 2005, the Company hereby respectfully publishes a shelf offering memorandum for the issue and listing of securities for trading on the Tel Aviv Stock Exchange Ltd. ("TASE") as set out in this shelf offering memorandum ("the Shelf Offering Memorandum" or "the Memorandum"). The terms that appear in this Memorandum will have the meanings defined for them in the Shelf Prospectus, unless stated otherwise.

**The securities offered under this Shelf Offering Memorandum are offered by way of a non-standard offering to institutional investors (as this term is defined in the Method of Offering Regulations)<sup>1</sup> that were incorporated outside of Israel (below in this Memorandum: "Institutional Offerees" or "Institutional Investors", accordingly) (the Non-Standard Part of the Offering") and by way of a standard offering to the public in Israel that are not institutional investors (below in this Memorandum: "the Public" or "Public Offerees", accordingly) (the Standard Part of the Offering"), in accordance with Regulation 11(A)(1) of the Method of Offering Regulations and as set out below. The offering under this Memorandum is secured in part with underwriting by underwriters<sup>2</sup> as set out in section 14 of this Memorandum, below.<sup>3</sup>**

This is the second shelf offering memorandum to be issued since the Shelf Prospectus was published.

**The offering under this Memorandum is made in Israel only. The non-standard part of the offering of securities of the Company under this Memorandum is for Institutional Offerees, which are accredited investors, as this term is defined in Regulation D, which were enacted under the United States Securities Act of 1933 ("Securities Act", "Regulation D", "Accredited Investor", accordingly) and to public offerees as an offshore transaction, without directed selling efforts on the part of the Company, a distributor or any affiliate of theirs or anyone acting on their behalf (as these terms are defined in Regulation S enacted under the Securities Act ("Offshore Transaction", "Regulation S" and "directed selling efforts", respectively).**

**Only the laws of the State of Israel will be applicable to the Shelf Prospectus and this Shelf Offering Memorandum and the offering of the offered securities and their purchase thereunder, and everything deriving from and/or relating to the Shelf Prospectus and this Shelf Offering Memorandum, and no other laws will apply and exclusive jurisdiction over any matter relating to the foregoing issues is vested in the competent courts in Israel alone. By agreeing to purchase the securities offered under the Shelf Prospectus and this Shelf Offering Memorandum, the Institutional Offerees and the public offerees hereby accede to this exclusive jurisdiction and default legislation.**

<sup>1</sup> As the term "institutional investor" is defined in Regulation 1 of the Securities Regulations (Method of Offering Securities to the Public), 2007 ("Method of Offering Regulations").

<sup>2</sup> Apex Issuances Ltd. ("Apex" or "the Underwriters", accordingly)

<sup>3</sup> For further information regarding the agreement signed with the institutional investors, see section 5.1-5.6 of this Memorandum, below.

**The Shelf Prospectus and this Shelf Offering Memorandum have not been filed with the US Securities & Exchange Commission ("SEC"). Subject to the following, the securities offered to Institutional Offerees and public Offerees under the Shelf Prospectus and this Shelf Offering Memorandum have not and will not be listed in accordance with the US Securities Act, as may be amended from time to time, or under any US law, and holders of the securities offered under the Shelf Prospectus and Shelf Offering Memorandum are prohibited from offering, selling, pledging and/or transferring them in any way in the United States (subject to trading them on the TASE, as noted below), unless they are listed in accordance with the Securities Act or unless an exemption is obtained for listing them in accordance with the Securities Act and in accordance with the laws of the United States of America.**

It is hereby clarified that the Company does not undertake to list the securities offered under this Memorandum for trading in the United States in accordance with the Securities Act.

At the time of the offering, each of the Institutional Offerees have declared to the Company and undertaken, and each public offeree who will purchase the offered securities (including any purchase of the underlying shares deriving from exercising the Options (Series I and/or J) offered under this Memorandum) will be deemed as having so declared, that: (1) the Offering under this Memorandum is not made to persons while staying in the United States, and they (or any others acting on their behalf) being unaware that the forgoing offer is pre-arranged with a buyer who is staying in the United States; (2) no directed selling efforts (as this term is defined in section 902(C) of the US Securities Act and Regulation S) were made by them, a related party or anyone acting on their behalf; (3) they are not a distributor or affiliate of the Company or distributor (other than any officer or director that is considered to be an affiliate of the Company or distributor, only due to said office) or anyone acting on their behalf; and (4) they are not dealers of securities, persons who receive sales royalties, commissions or other payment relating to the Offering or sale of the securities under this Offering Memorandum and/or officer or director of the Company or distributor that is an affiliate of the Company or distributor just due to being such officer or director who will be paid sales royalties, commissions or other payment relating to the Offering or such sale, other than regular and accepted brokers' fees that such person making such deal will receive as an agent.

Further to the foregoing, the Company may offer the securities offered under the Shelf Prospectus and this Shelf Offering Memorandum to Institutional Offerees in Israel (and to other public offerees who are not institutional investors), to list them on the TASE and the Offerees under this Memorandum will be permitted to trade them on the TASE.

The decision to acquire the securities offered under the Shelf Prospectus and this Shelf Offering Memorandum is to be taken only on the basis of the information contained (also by way of reference) in the Shelf Prospectus and this Shelf Offering Memorandum. The Company has not permitted any other person or body to provide any information contrary to that stipulated in the Shelf Prospectus and this Shelf Offering Memorandum. The Shelf Prospectus and this Shelf Offering Memorandum do not constitute an offering of securities in any other country other than in the State of Israel.

**The Shelf Prospectus and this Shelf Offering Memorandum is not intended to for publication and/or distribution and/or division in the United States and no one is authorized to make efforts to sell the securities offered under this Memorandum in the United States. The Company has not permitted any other person or body to provide any information contrary to that stipulated in the Shelf Prospectus and this Shelf Offering Memorandum. The Shelf Prospectus and this Shelf Offering Memorandum do not constitute an offering of securities in any other country other than in the State of Israel.**

Pursuant to the opinion of a foreign legal counsel received by the Company in accordance with a TASE requirement prior to the date of publication of this Shelf Offering Memorandum by the Company, an offering of the securities offered under the Shelf Prospectus and this Shelf Offering Memorandum to

**Institutional Offerees and public offerees does not require that they be listed in accordance with the provisions of the Securities Act or its regulations.**

For details of material changes and innovations with regard to any matter that requires an explanation in a prospectus, that are applicable since the date of publication of the Shelf Prospectus through the date of publication of this Shelf Offering Memorandum, see in general section 15 of this Memorandum, below. In this regard, reports issued by the Company subsequent to the publication of the Shelf Prospectus are to be considered as reports included in this Memorandum by way of reference

**1. The Offered Securities.**

- 1.1. Up to 15,512,000 ordinary shares, nominally listed, of NIS 0.01 par value each of the Company ("Ordinary Shares" or "the Shares") that will be offered to the Institutional Offerees under a non-standard offering and 1,725,710 Ordinary Shares that will be offered to the public under a standard offering. For additional terms and conditions of the offered securities see sections 6 and 7 of this Memorandum. On the assumption that all the securities offered under this Memorandum will be issued, the shares offered under this Memorandum will constitute, immediately subsequent to their issue, 6.08%<sup>4</sup> of the issued and paid up share capital of the Company and voting rights (5.88% fully diluted<sup>5</sup>);

**Together with**

- 1.2. Up to 11,636,000 nominally listed options (Series I) that are convertible for up to 11,636,000 Ordinary Shares of the Company, on any day of trading from the date of their listing on the TASE through January 31, 2019 (inclusive) ("Options (Series I)"), other than on the date of record for the distribution of bonus shares, an offering by way of rights, distribution of a dividend, consolidation of capital, splitting of capital or reduction of capital (each of the these - "a Corporate Event"), and when the ex-date of a corporate event falls before the date of record for a corporate event, also excluding on such ex-date, that are offered to Institutional Offerees under a non-standard offering and up to 1,294,505 nominally listed Options (Series I) that are convertible for up to 1,294,505 ordinary shares of the Company that are offered to the public under a standard offering.

Each Option (Series I) may be exercised for one Ordinary Share of the Company in return for a cash payment of the exercise price of NIS 0.80 per Option (Series I) ("Option (Series I) Exercise Price") (subject to adjustments as set out in sections 6.9 - 6.10 below). The Option (Series I) Exercise Price is not linked to any index or currency Options (Series I) that are not exercised by the exercise deadline as set out above, will expire, will be null and void and will not grant their holders any right or claim against the Company. For further information regarding the terms and conditions of Options (Series I), see sections 6 and 7 of this Memorandum.

**Together with**

- 1.3. Up to 7,756,000 nominally listed options (Series J) that are convertible for up to 7,756,000 Ordinary Shares of the Company, on any day of trading from the date of their listing on the TASE through July 31, 2016 (inclusive) ("Options (Series J)"), other than on the date of record for the distribution of bonus shares, an offering by way of rights, distribution of a dividend, consolidation of capital, splitting of capital or reduction of capital (each of the these - "a Corporate Event"), and when the ex-date of

<sup>4</sup> Exclusive of treasury shares of the Company.

<sup>5</sup> Assuming that all the securities convertible to ordinary shares of the Company are exercised and all the Options (Series I) and Options (Series J) offered under this Memorandum will be exercised for ordinary shares of the Company; excluding treasury shares of the Company.

a corporate event falls before the date of record for a corporate event, also excluding on such ex-date, that are offered to Institutional Offerees under a non-standard offering and up to 862,855 nominally listed Options (Series J) that are convertible for up to 862,855 ordinary shares of the Company that are offered to the public under a standard offering.

Each Option (Series J) may be exercised for one Ordinary Share of the Company in return for a cash payment of the exercise price of NIS 0.575 per Option (Series J) ("Option (Series J) Exercise Price") (subject to adjustments as set out in sections 6.9 - 6.10 below). The Option (Series J) Exercise Price is not linked to any index or currency Options (Series J) that are not exercised by the exercise deadline as set out above, will expire, will be null and void and will not grant their holders any right or claim against the Company. For further information regarding the terms and conditions of Options (Series J), see sections 6 and 7 of this Memorandum.

2. On the assumption that that all the offered shares and all the Options (Series I) and Options (Series J) ("the Offered Securities") offered under this Shelf Offering Memorandum are issued, the shares deriving from the exercise of all Options (Series I) and Options (Series J) that will be issued under this Memorandum, immediately subsequent to their issue, will constitute 7.60%<sup>6</sup> of the issued and paid up share capital of the Company and voting rights therein (4.76% fully diluted).<sup>7</sup>
3. The registered share capital of the Company as at the date of this Memorandum is 1,500,000,000 ordinary shares and the issued and paid up share capital of the Company as at the date of this Memorandum is 269,196,781<sup>8</sup> ordinary shares. On the assumption that all the Ordinary Shares and Options (Series I) and Options (Series J) of the Company that are offered under this Shelf Offering Memorandum will be issued in full, the Company's issued and paid up share capital will be 283,673,107 ordinary shares, and on the assumption that all Options (Series I) and Options (Series J) will be exercised, it will be 455,302,818 ordinary shares.<sup>9</sup>
4. Pursuant to the TASE Articles of Association, the offered shares and the shares deriving from the exercise of Options (Series I) and Options (Series J) offered under this Shelf Offering Memorandum, will be registered in the register of the Company's securities in the name of the nominee company of Mizrahi Tefahot Nominee Company Ltd. or any nominee company of the Company as may be at any given time ("the Nominee Company").

## 5. **Method of offering of the offered securities**

- 5.1. Background: As noted in the Company's report dated November 23, 2015<sup>10</sup> and January 31, 2016<sup>11</sup>, on November 23, 2015 a binding memorandum of understanding, as amended on January 31, 2016 ("the MOU") was signed between the Company and two incorporated investment entities outside of Israel which, to the best of the Company's knowledge, are all considered to be Accredited

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<sup>6</sup> Exclusive of treasury shares of the Company.

<sup>7</sup> Assuming that all the securities convertible to ordinary shares of the Company are exercised and all the Options (Series I) offered under this Memorandum will be exercised for ordinary shares of the Company; excluding treasury shares of the Company.

<sup>8</sup> Excluding 2,761,384 treasury shares of the Company.

<sup>9</sup> Excluding 2,761,384 treasury shares of the Company.

<sup>10</sup> The Company's immediate report dated November 23, 2015 [Ref. No. 2015-01-160512], included herein as a reference.

<sup>11</sup> The Company's immediate report dated January 31, 2016 [Ref. No. 2015-01-020569] and February 1, 2016 [Ref. No. 2015-01-021307], included herein as a reference.

Investors<sup>12</sup>, (together: "the Institutional Offerees" or "Institutional Investors", as appropriate), for a total investment in an amount of USD 7.4 million (approximately USD 1.9 million) in the Company's equity ("the Initial Investment").

- 5.2. The Institutional Offerees are institutional investors, as this term is defined in the Method of Offering Regulations, and each of them has declared to the Company and to the underwriters that they comply with the requirements of the definition.<sup>13</sup>
- 5.3. The offering of securities to investors under this Memorandum is intended for the purpose of issuing and listing the securities offered to investors under this Memorandum for trading on the Tel Aviv Stock Exchange Ltd. ("TASE") free of any restrictions regarding resale (lock-up provisions) as set out in the Securities Law, 1968 and the regulations thereunder ("Listed and Unrestricted").
- 5.4. The Initial Investment under the MOU refers to an offering of ordinary shares at the price of 47.5 agurot per ordinary share, of Options (Series I) at an exercise price of 80 agurot per Option (Series I), and of Options (Series J) at an exercise price of 57.5 agurot per Option (Series J), as aforesaid.
- 5.5. As aforesaid, the purpose of this Shelf Memorandum is to offer the offered securities to the investors as Listed and Unrestricted, as described above.
- 5.6. Pursuant to the provisions of the MOU and based on the initial investment, the offered securities will be offered to the Institutional Offerees in equal share (so that each Institutional Investor will file application for 50% of the total non-standard offering under this Memorandum).
- 5.7. Simultaneous to the offering to the Institutional Offerees under a non-standard offering, the Company wishes to offer the same type of securities as those offered to the foregoing Institutional Offerees to the public under a standard offering, at the same price and on the same date, in such a way that the quantity to be allotted to each investor that is not an Institutional Investor will be equivalent to the relative share of their bid out of the total number of bids of all the non-institutional investors, all as set out in this section 5, above and below.
- 5.8. The offering under this Memorandum
  - 5.8.1. Ordinary Shares, Options (Series I) and Options (Series J) of the Company are offered under this Memorandum to the Institutional Offerees and public offerees by way of a non-standard offering and to the public by way of a standard offering, as set out in section 11(A)(1) of Chapter C of the Method of Offering Regulations, as follows:

Up to 17,237,710 Ordinary Shares, together with up to 12,930,505 Options (Series I) and together with up to 8,618,855 Options (Series J) are offered to the Institutional Offerees and to the public as up to 4,445 units ("Units"), of which up to 4,000 Units will be offered to the Institutional Offerees under a non-standard offering and up to 445 Units will be offered to the public under a standard offering, at a uniform price per Unit, whereby the composition of each Unit and the uniform price and allotment among the Institutional Offerees and to the public will be as follows:

<sup>12</sup> To the best of the Company's knowledge, the investments of investors in the Company will be made independently of one another. To the best of the Company's knowledge, subject to completing the offering under this Memorandum, neither of the foregoing investors will hold 5% or more of the issued share capital of the Company and/or of the voting rights therein.

<sup>13</sup> Note to Draft: As at date of this Draft, such signed declarations of the Institutional Investors have not yet been received.



<b>Composition of each Unit</b>	<b><u>Price per unit</u></b>
3,878 Ordinary Shares at the price of NIS 0.475 per share, and for a total amount of	NIS 1,842.05
2,909 Options (Series I)	free of charge
1,939 Options (Series J)	free of charge

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<b>The uniform price per Unit</b>	<b>NIS 1,842.05</b>
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- 5.9. The closing price on the TASE of the ordinary shares of the Company on January 28, 2016 was 49.10 agurot. The closing price on the TASE of the ordinary shares of the Company prior to the date of signing of the MOU (amended), i.e. on January 31, 2016 was 49.10 agurot. Based on the financial value of each Option (Series I) and each Option (Series J), as set out below, the effective price of each share offered under this Memorandum is 38.40 agurot.
- 5.10. The financial value of each Option (Series I) is 10.50 agurot. The foregoing financial value was calculated using the Black and Scholes formula, based on the calculation formula provided by the TASE, taking into account the closing price of the Company's ordinary shares on the TASE on January 28, 2016 (49.10 agurot) with weekly standard deviation of 7.44% (53.65% annually) and the discount rate for the foregoing Options was 0.1%, and on the assumption that the Options (Series I) will be exercised on their exercise deadline. The financial value of each Option (Series I) prior to the date of signing of the MOU (amended) with the Institutional Offerees (January 31, 2016) was 10.50 agurot. The foregoing financial value was calculated using the Black and Scholes formula, based on the calculation formula provided by the TASE, taking into account the closing price of the Company's ordinary shares shortly prior to the signing of the foregoing MOU.
- 5.11. The financial value of each Option (Series J) is 4.50 agurot. The foregoing financial value was calculated using the Black and Scholes formula, based on the calculation formula provided by the TASE, taking into account the closing price of the Company's ordinary shares on the TASE on January 28, 2016 (49.10 agurot) with weekly standard deviation of 7.44% (53.56% annually) and the discount rate for the foregoing Options was 0.1%, and on the assumption that the Options (Series J) will be exercised on their exercise deadline. The financial value of each Option (Series J) prior to the date of signing of the MOU (amended) with the Institutional Offerees (January 31, 2016) was 4.50 agurot. The foregoing financial value was calculated using the Black and Scholes formula, based on the calculation formula provided by the TASE, taking into account the closing price of the Company's ordinary shares shortly prior to the signing of the foregoing MOU.
- 5.12. The Underwriters have informed the Company that the offering under this Shelf Offering Memorandum is directed to institutional investors.

#### Method for submitting subscriptions for the purchase of units

- 5.13. The period for submitting subscriptions for the Units offered to the Institutional Offerees and to the public offerees and the subscription list for the purchase of Units offered to the public will open on February 2, 2016 at 2:30 PM (and in any event, no later than 7 hours thereafter (of which at least five hours of trading) from the date of publication of the Shelf Offering Memorandum) ("Subscription List Opening Time") and will close on February 2, 2016 at 5:30 PM (Subscription List Closing Time").

- 5.14. Shortly before the Subscription List Opening Time, the Dealer Manager (as defined below) will open a special trust account with a bank, in the name of the Company, in connection with the offering of the Units (the "Trust Account"), and will convey the details of the Trust Account to the members of the TASE (via the branches of the various banks or other members of the TASE) ("TASE Members"), to be used for the moneys that will be received from the subscribers for the offered securities. The Trust Account will be managed exclusively by the Dealer Manager in the name of and on behalf of the Company, in accordance with the provisions of Section 28 of the Securities Law. Moneys paid for subscriptions to purchase the offered units (the "Subscriptions") submitted by the TASE Members and/or by the Institutional Offerees, respectively, and which are accepted by the Company in whole or in part, will be deposited in the Trust Account. Moneys that accumulate in the Trust Account will be invested by the Dealer Manager in interest-bearing unlinked liquid daily deposits.
- 5.15. During the period for submitting subscriptions, as set out below, the Company and/or the Underwriters will approach the Institutional Offerees to obtain their subscriptions to purchase the Units offered under this Shelf Offering Memorandum, and in accordance with the provisions of the MOU signed with them, at the uniform price per Unit (as set out above in section 5.8 of this Memorandum).
- 5.16. All subscriptions of the public offerees will be submitted to the Dealer Manager (as defined below), and will stipulate the uniform price per Unit (as set out in section 5.8 of this Memorandum, above) and the requested number of Units to be purchased, no later than the Subscription List Closing Time, on the subscription forms that can be obtained from the Dealer Manager and/or from the TASE Members.
- 5.17. Each of the public subscribers will note in their subscription the number of Units they wish to purchase at the uniform price per Unit. A Subscription stating a price per Unit that is lower than the uniform price per Unit will be void and will be deemed as a subscription that was not submitted. A Subscription stating a price per Unit that is higher than the uniform price per Unit will be deemed as having stated the uniform price per Unit.
- 5.18. A subscription received by TASE Members after the Subscription Closing Time or which is received by the Dealer Manager more than one hour after the Subscription Closing Time, will not be accepted by the Company.
- 5.19. Subscriptions may be submitted for the purchase of whole units only. A Subscription submitted for any fraction of a Unit will be considered as a subscription submitted only for the whole number of Units stated therein, and any fraction of a Unit included in a Subscription will be considered as not included from the outset. A subscription, in which the number of units stated is less than one whole unit, will not be accepted.
- 5.20. Each public subscriber may submit subscriptions to purchase units at the uniform price of NIS 1,842.05 per unit, as set out in section 5.8 above ("Uniform Price per Unit"). A price noted in the subscription that is not equivalent to a whole multiple of the Uniform Price per Unit ("Whole Multiple"), will be rounded up to the closest Whole Multiple.
- 5.21. Subscriptions to purchase the units are irrevocable. Each of the subscribers will be considered as having undertaken in their subscription to purchase the securities that will be allotted to them as a result of full or partial acceptance of their subscription in accordance with the terms of the Shelf Prospectus and/or this Shelf Offering Memorandum, and will be considered as obligated to pay, via the Dealer Manager, the full consideration for the Units that they are entitled to receive in accordance with the terms of the Shelf Prospectus and/or this Shelf Offering Memorandum and their subscription.

- 5.22. The Members of the TASE shall be liable and obligated towards the Company and towards the Dealer Manager, for payment of the full consideration payable to the Company in respect of the Subscriptions submitted through them and which were accepted, in whole or in part.
- 5.23. The Dealer Manager for issuing of the offered securities to the public offerees under this Memorandum will be Apex Issuances Ltd. ("the Dealer Manager") of: 30 Derech Sheshet HaYamim, Bnei Brak, Tel: 03-7778200; Fax: 03-7778201.

Procedures for opening subscriptions and notification of the results of the issue

- 5.24. One hour after the Subscription List Closing Time the box of Subscriptions will be opened, in the presence of the Company's auditor who will oversee the proper conduct of the tender proceedings.
- 5.25. The Underwriters, at their discretion and after consulting with the Company, will receive the subscriptions from the Institutional Offerees and the public offerees.
- 5.26. By 10:00 AM on February 3, 2016 (the first trading day following the Subscription List Closing Time) (the "Clearing Day"), the Dealer Manager will send notice to the Subscribers (the Institutional and public offerees) regarding the extent of acceptance of their subscriptions, provided that this amount will not exceed the amount noted in their subscription. The notice will state the number of units that will be allotted to each Subscriber, and the consideration to be paid for them.
- 5.27. By 12:00 PM on the Clearing Day, the Subscribers will transfer to the Dealer Manager Trust Account, through the Members of the TASE, the full consideration due from them for the Units for which the subscriptions were accepted. In this regard it is hereby clarified that, based on the provisions of the MOU, the Initial Investment amount was deposited by the Institutional Offerees in trust with a trustee and will be transferred to the Trust Account immediately upon completing the offering under this Memorandum.
- 5.28. By the end of the first trading day following the Subscription List Closing Time (Clearing Day) the Company will issue an immediate report to the TASE and the Securities Authority, in accordance with the Securities Law, regarding the results of the issue.  
  
Manner of allotment of the Units to the Subscribers
- 5.29. At the end of the period for submitting Subscriptions, the offered Units will be allotted to the subscribers.
- 5.30. The number of Units to be allotted to each Institutional Investor, pursuant to the provisions of the MOU with the Institutional Investors, will be allotted equally so that each will receive half of the total amount of the non-standard offering under this Memorandum.
- 5.31. The Company will accept subscriptions for the purchase of units offered to the public so that the number of units to be allotted to each public subscriber will be pro rata to their subscription out of the total subscriptions submitted under the standard offering to the public. Each public subscriber may submit one subscription only provided that the total number of securities requested by one such subscriber will not exceed 15% of the total number of securities offered under the standard offering to the public.
- 5.32. The Underwriters will allot the Units to the Institutional Investors, in accordance with the provisions of the MOU (amended), as set out in section 5.30 above and to the public subscribers as set out in section 5.31 above. As aforesaid, all the Units will be sold to Subscribers at the uniform price as set in section 5.8 above, with no discount or benefit.
- 5.33. The allotment of securities to be allotted under this Memorandum will be by issuing letters of allotment for the Options and certificates for the shares, as the case may be, to the Nominee Company.



Pursuant to that provided in the TASE Articles of Association, the new shares to be issued by the Company under this Memorandum, including the shares that will derive from the conversion of Options (Series I) and/or Options (Series J) offered under this Memorandum will be registered in the Company's shareholders' register in the name of the Nominee Company. The letters of allotment for Options (Series I) and/or Options (Series J) may be transferred, split and waived in favor of others, subject to filling out and signing a deed of transfer and/or split and/or waiver and delivering it, by the applicant, together with the letters of allotment to the Company, and subject to payment of all the expenses, taxes and levies involved therein, by the foregoing applicant. The Company will not issue certificates for Options (Series I) and/or Options (Series J) offered under this Memorandum, and they will be held under the letters of allotment and according to registration in the register of convertible securities maintained by the Company.

- 5.34. Interested party intentions to purchase issued Units. The Company's interested parties may from time to time subscriptions to purchase Units offered under the public offering part of this Memorandum. As at the date of this Memorandum, Prof. Oded Shoseyov an owner interested parties in the Company, have informed the Company of their intentions to purchase 20 Units, respectively, as part of the public offering under this Memorandum. In the event that interested parties inform the Company of their intention to purchase Units after the publication of this Memorandum, the Company will disclose this in a separate report.
- 5.35. If all the TASE requirements for listing the offered securities for trading are met as provided by the TASE, or alternatively, in accordance with the Articles of Association and guidelines of the TASE, then the Dealer Manager will transfer to the Company the funds deposited into the trust account by the Investors to whom the offered Units have been allotted, plus any accrued yields, less the amounts payable to the Underwriters, against delivery to the Nominee Company of share certificates and letters of allotment, as the case may be, in respect of the securities offered under this Memorandum. As long as the consideration of the issuance has not been transferred to the Company, the consideration of the issuance shall be held in the trust account and invested in unlinked interest-bearing liquid deposits.
- 5.36. If according to the allotment under this Memorandum, the foregoing requirements of the TASE are not met in full, then the issuance under this Memorandum will be canceled and no funds will be collected under this Memorandum from the subscribers. Notice of such cancellation of the issue will be given in an immediate report and in a notice published by the Company in two widely circulated daily Hebrew newspapers in Israel.
- 5.37. The offering of the offered securities under this Shelf Offering Memorandum is partially<sup>14</sup> secured by underwriting. For further information regarding the main points of the underwriting agreement (including commissions to be paid in accordance with the underwriting agreement, the names of the underwriters and details of distribution commissions, if any), see section 14 of this Memorandum, below.
- 5.38. **The Company may cancel the offering under this Memorandum at any time before receiving the issue funds, without any claim by the offerees in this regard. In the event that the issue is canceled as aforesaid, the Ordinary Shares and Options (Series I) and Options (Series J) offered under this Shelf Offering Memorandum will not be issued, will not be listed for trading on the TASE and no funds will be collected from the subscribers in respect of those Units that they subscribed for.**

<sup>14</sup> Note to Draft: As at date of this Draft, an underwriting agreement is yet to be signed and the scope of the underwriting is yet to be set.

## 6. Terms and conditions of Options (Series I) and Options (Series J) offered under this Memorandum

Breakdown of the terms and conditions for Options (Series I) and Options (Series J) of the Company offered in an initial offering under the Shelf Prospectus and this Shelf Offering Memorandum:

- 6.1. Nominally registered Options (Series I) may be exercised on any day of trading from the date of their listing on the TASE through January 31, 2019 (inclusive) ("Options (Series I)"), so that each Option (Series I) will be exercisable for one ordinary share of the Company, and all, other than on the date of record for the distribution of bonus shares, for an offering by way of rights, for distribution of a dividend, consolidation of capital, splitting of capital or reduction of capital (each of the these - "a Corporate Event"), and when the ex-date of a corporate event falls before the date of record for a corporate event, also excluding on such ex-date.

Each Option (Series I) may be exercised for one Ordinary Share of the Company in return for a cash payment of the exercise price of NIS 0.80 per Option (Series I) ("Option (Series I) Exercise Price") (subject to adjustments as set out in sections 6.9 - 6.10 below). The Option (Series I) Exercise Price is not linked to any index or currency Options (Series I) that are not exercised by the exercise deadline as set out above, will expire, will be null and void and will not grant their holders any right or claim against the Company.

Nominally registered Options (Series J) may be exercised on any day of trading from the date of their listing on the TASE through July 31, 2016 (inclusive) ("Options (Series J)"), so that each Option (Series I) will be exercisable for one ordinary share of the Company, and all, other than on the date of record for the distribution of bonus shares, for an offering by way of rights, for distribution of a dividend, consolidation of capital, splitting of capital or reduction of capital (each of the these - "a Corporate Event"), and when the ex-date of a corporate event falls before the date of record for a corporate event, also excluding on such ex-date.

Each Option (Series J) may be exercised for one Ordinary Share of the Company in return for a cash payment of the exercise price of NIS 0.575 per Option (Series J) ("Option (Series J) Exercise Price") (subject to adjustments as set out in sections 6.9 - 6.10 below). The Option (Series J) Exercise Price is not linked to any index or currency Options (Series J) that are not exercised by the exercise deadline as set out above, will expire, will be null and void and will not grant their holders any right or claim against the Company.

Options (Series I) and/or Options (Series J) will be called in this section, as applicable and according to relevance (the "Options").

- 6.2. Pursuant to the TASE Articles of Association, the offered shares and the shares deriving from the exercise of the Options offered under this Shelf Offering Memorandum will be registered in the Company's register of securities in the name of the Nominee Company.
- 6.3. Rights attached to the shares derived from the exercise of the Options (in this section "the Underlying Shares").
- 6.3.1. The Underlying Shares issued due to exercise of the Options will be equal to those of the existing ordinary shares of the Company and will entitle their holders all dividends or rights, whereby their date of record based on the resolution that will be adopted by the Company's board of directors will be their exercise date or a later date.

- 6.4. Option expiration

- 6.4.1. An Option that is exercised will expire on the date of the notice of exercise, as defined in section 6.5 below, and will not grant its holders any rights whatsoever.
- 6.4.2. An Option that is not exercised by the exercise deadline as set out in this Memorandum ("End of Exercise Period"), i.e. for which a notice of exercise, the exercise price and letter of allotment is not received by the TASE clearing house (for Options held directly by a holder not registered through the Nominee Company) by that date, will expire on that date.
- 6.5. Notice of exercise
- 6.5.1. All Option holders ("Applicants") wishing to exercise their rights to purchase the underlying shares of the Options they hold, may do so via TASE members if they are unregistered holders, by filing written applications in the generally accepted format (Notice of Exercise), with letters of allotment relating to the Options under application attached thereto, and with a payment in cash equal to the multiple of the number of Options they wish to exercise at the exercise price for said Options.
- 6.5.2. The exercise date will be considered, in the event that the Notice of Exercise is delivered through the Nominee Company (with regard to unregistered holders) as the day on which the Notice of Exercise, complying with all the terms as set out in the Shelf Prospectus and in this Memorandum, is delivered to the TASE clearing house. In this matter, such Notice of Exercise that is received by the TASE clearing house after the time set in the clearing house bylaws will be considered as having been received on the next trading day ("Exercise Date").
- 6.5.3. Applicants will be required to sign, at any time so required by the Company or by the Nominee Company, any additional document required in accordance with the provisions of any law or the Company's Articles of Association, for validating the allotment of the Underlying Shares. If the Applicant does not comply with the terms for exercising the Options, the Notice of Exercise will be deemed canceled and the Option letters of allotment and payment attached thereto will be returned to the Applicant within two (2) business days from the date on which the Company deemed the notice to be canceled.
- 6.5.4. A Notice of Exercise may not be canceled or amended. Rights will not be granted for partial exercise of the Options.
- 6.5.5. If the exercise deadline for the Options falls on a day that is not a trading day, the deadline will be deferred to the next trading day immediately thereafter.
- 6.5.6. The clearing house regulations relating to the timetable for exercising of Options stipulate as follows:
- (a) If a client gives notice of exercise which is received by 12:00 noon at the office of the TASE member through which options of the series offered under the Shelf Prospectus are held, said TASE member will transfer said notice of exercise to the TASE clearing house no later than 12:00 noon on the following trading day.
  - (b) If the TASE clearing house receives the notice of exercise from the TASE member by 12:00 noon, the TASE clearing house shall debit the said TASE member with the financial consideration and will accordingly credit the nominee company in whose name the Company's securities will be registered, no later than 12:00 noon on the trading day following receipt of the notice as set out above.
  - (c) Upon receipt of the credit as noted in section (b) above by 12:00 noon, the nominee company will send the notice of exercise to the registered office of the Company no later than 12:00 noon on the next trading day following the day on which said notice

was received.

- (d) Any of the notices stated in subsection [a] through [c] above, that are received after 12:00 noon on any trading day, will be considered as having been received before 12:00 noon on the following trading day.

Notwithstanding the foregoing, on the exercise deadline, and if the exercise deadline is not a trading day, on the following trading day, the clearing house members will send the final exercise applications for clearing by 9:00 AM. The exercise will take place on the same day. A clearing house member that fails to send an application by said time will be deemed by the clearing house as having failed to exercise the options of the relevant series held through it and for which application was not submitted as aforesaid, and they will expire.

Notwithstanding the provisions of this section above, it is hereby emphasized that the TASE clearing house bylaws will apply to the exercise of options, as these may be on the actual day of exercise.

#### 6.6. Transfer and splitting of warrants

6.6.1. **Transfer** - the letters of allotment of the Options may be transferred provided that appropriate deeds of transfer are presented to the Company. The deeds of transfer will be similar in format as deeds of transfer for shares. The Company will keep a register of holders of Options at its registered office. The provisions of the Company's Articles of Association relating to the transfer of fully paid up shares will apply, mutatis mutandis, to the transfer of letters of allotment for the Options.

6.6.2. **Split** - any letter of allotment of Options may be split into a number of letters of allotment, whereby the total number of Options covered by them is equal to the number of Options included in the letter of allotment for which the split is requested. The splitting will be effected based on application for splitting signed by the registered holders of such letters of allotment, or by their representatives, which are submitted to the Company at its registered office together with the letters of allotment for which the split is requested. All the costs involved in the split, including mandatory payments, if any, will be borne by the applicant for the split only.

#### 6.7. Allotment of underlying shares

6.7.1. The Company will manage the allotment of Underlying Shares as follows: On the first trading day following the exercise day, the Company will allot, by issuing share certificates to the Nominee Company for holders of Options through the Nominee Company, the underlying shares due to them for the Options exercised, and in view of approval in principle for listing of the underlying shares on the TASE (see section 11 below), immediately following allotment the Company will apply to the TASE to cause the listing of the underlying shares for trading on the TASE, as soon as possible thereafter. The Company undertakes that all the shares deriving from the exercise of Options will be registered in the name of the Nominee Company. For more information, see 5.33 above.

6.7.2. Applicants will not be entitled to the issue of part of an underlying share. Any surplus underlying shares remaining when exercised, if any, will be sold by the Company on the TASE through a trustee to be appointed for this purpose by the Company, for a period of one month from the date on which there is a sufficient quantity for selling on the TASE as aforesaid. The net proceeds, after deduction of the sale costs and the relative exercise price and after deduction of other commissions and duties, if any, will be paid to eligible holders. Such proceeds will be paid within fourteen (14) days from the sale date. Checks for less than NIS 50 will not be sent to the eligible holders, and such amounts may be collected in cash at the

Company's offices during regular business hours. Eligible holders, who do not come to the Company's offices to receive this amount within twelve (12) months from the date of the sale, will lose their right to this amount.

6.8. Modification of rights attached to Options and general meetings of option holders

- 6.8.1. The Company may, following prior approval by separate general meetings of holders of Options, by a majority of 75% of the participants in a vote at the general meeting ("Extraordinary Resolution"), engage in settlement agreements with the Options holders with regard to any right or claim on their part and/or adopt any amendment, modification or settlement of their rights or of any other of the terms and conditions of the Options.
- 6.8.2. Notwithstanding the foregoing, pursuant to the TASE guidelines and articles of association, as at the date of this Memorandum, changes may not be made to the terms of the Options relating to the exercise period, exercise price and linkage terms, as well as with regard to the means of protection in the event of a distribution of bonus shares and/or rights and/or dividend<sup>15</sup>, other than changes in the exercise period and/or the exercise price and/or the linkage terms of the Options as part of proceedings for an arrangement or settlement, approved by court, pursuant to Section 350 of the Companies law 1999 ("Companies Law"). Furthermore, pursuant to the TASE guidelines and articles, the Company is entitled to change the exercise price as part of proceedings for splitting the Company or merger of the Company, provided that the change includes only the adjustments required for the aforesaid process, whereby with regard to the Options, this is subject to the exercise price not being lower than the par value of the underlying shares.<sup>16</sup>
- 6.8.3. Pursuant to the TASE guidelines and articles as at the date of this Memorandum, "splitting" in this matter means the process by which the Company will transfer to its shareholders shares that it holds in another company, or the process by which the Company will transfer assets and liabilities to a new company established for the purpose of the split and the shareholders of the new company will also be the shareholders of the company transferring the assets and liabilities and all provided that the splitting process be carried out with equal conditions for the Company's shareholders. Pursuant to the TASE guidelines and articles as at the date of this Memorandum, a merger proceeding means, for this purpose, a proceeding in which all the Company's shares are transferred to the shareholders of the new company or to the ownership of another registered company or whereby the Company will transfer all its assets and liabilities to a new company or to another registered company and all on condition that the securities of the company whose shares or assets are transferred as aforesaid, will be delisted from the TASE and the proceeding will be carried out with equal conditions for the Company's shareholders.
- 6.8.4. Notwithstanding the foregoing, pursuant to the TASE Articles at the date of this Memorandum, the Company may change the exercise price provided that this is carried out as part of a rights offering in the Company or as part of a distribution of bonus shares in the Company or as part of a distribution of a dividend in the Company, and the change includes only the adjustments required by said process.
- 6.8.5. All the provisions of the Company's Articles of Association regarding general meetings of the Company's shareholders will be deemed as also referring to separate general meetings of the

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<sup>15</sup> Due to Options (Series I and J) being exercisable for shares

<sup>16</sup> Due to Options (Series I and J) being exercisable for shares



holders of the Options. A vote at a general meeting of the holders of the Options will be by a quorum only, whereby one vote will be granted for each Option.

6.8.6. It is clarified that if a resolution on the agenda contains a personal issue, the votes of the holders of the Options who have a personal interest in adopting the resolution will be neutralized in the counting of the votes.

6.9. Provisions for protecting Options holders during the exercise period

So long as the Options have not been exercised or have not expired in accordance with the terms of the Shelf Prospectus and this Memorandum, and in any case no later than the end of the exercise period for the Options, the following provisions will apply:

6.9.1. The Company will retain a sufficient number of ordinary shares in its registered share capital to ensure the execution of exercise rights and where necessary, will cause an increase in its registered share capital.

6.9.2. Should the Company combine the ordinary shares in its issued share capital with shares of a higher par value, or if it splits them into shares of a lower par value, the number of underlying shares that will be allotted due to the exercise of the Options subsequent to such action will be increased or decreased accordingly. In such case, the provisions of section 6.7.2 above must be fulfilled, mutatis mutandis.

6.9.3. Where a resolution is adopted in respect of voluntary dissolution of the Company, the Company will publish a notice of such in two (2) widely-circulated Hebrew-language newspapers in Israel. All the warrant holders will be deemed as having executed their exercise rights prior to the resolution (without the need for prior payment of the exercise price) unless written notice is given to the Company within thirty (30) days from the date of the said publication in respect of their waiver of said rights. If aforesaid notice was not given to the Options holders within the said period, the holders will be entitled to the sum they would have received upon dissolution of the Company as shareholders following exercise of the Options held by them prior to the passing of the dissolution resolution, and following deduction of the exercise price for said Options from the funds that they would receive for their share in the said dissolution, if a balance for distribution remains.

6.9.4. The Company will make available during its normal business hours at its registered office, a copy of its periodic reports and intermediate financial statements for the holders of Options to review. The Company will send copies of these reports upon receipt of a written request from registered holders of Options.

6.9.5. The Company will refrain from distributing cash dividends or bonus shares for which the date of record for the right to receive them ("Date of Record") precedes the date of the board of directors' resolution. The date of record will be at least ten (10) trading days following the date on which the resolution is passed by the board and publication of an immediate report in respect of said distribution.

6.9.6. The Company will issue an immediate report, no later than three weeks after and no earlier than four weeks prior to the end of the exercise period, in which it will notify that the exercise period for the series is about to end, stating the Options exercise deadline and exercise price, and will publish notice of foregoing particulars in two (2) widely circulated daily Hebrew newspapers in Israel.

6.9.7. Any notice from the Company to the warrant holders, including the warrant holders registered in the warrant holders register, will be published in an immediate report and in two (2) widely

circulated daily Hebrew newspapers in Israel and will be deemed to have been delivered to them on the publication date in the newspaper.

## 6.10. Adjustments applicable to the Options

### 6.10.1. **Distribution of bonus shares**

If the Company distributes bonus shares by the end of the exercise period for the Options, the rights of the holders of the Options will be maintained as set out below:

- (a) The number of underlying shares deriving from the exercise of the Options that holders of the Options will be eligible to receive once exercised, will increase or decrease by the number of shares of the same class that such holders are eligible to receive as bonus shares, if the Options had been exercised;
- (b) Holders of the Options will not be eligible for allotment of part of the bonus shares as stated above; however all fractional bonus shares created at the time of the allotment and that accumulate to whole shares will be sold on the TASE by a trustee to be appointed by the Company for this purpose within thirty (30) days from the date of said allotment. The net proceeds (less sales expenses and payments of duties and taxes) will be distributed among the eligible holders within fifteen (15) days from the date of sale. Checks for less than NIS 50 will not be sent to the eligible holders, and such amounts may be collected in cash at the Company's offices during regular business hours. Eligible holders who do not come to the Company's offices to receive this amount within twelve (12) months from the date of the sale, will lose their right to this amount.

The Company will give notice with regard to the new exercise ratio in an immediate report before opening of trade on the ex-bonus day

### 6.10.2. **Issue of rights**

If the Company offers its shareholders securities of any class by way of a rights issue before the end of the exercise period for the Options, shares and other securities will not be added to the underlying shares and the exercise price will not change and the Company will offer the same securities to the registered holders of the Options under the same terms as those offered to the Company's shareholders, and the holders of the Options will be considered as having exercised them

### 6.10.3. **Distribution of a dividend**

If the Company distributes a dividend (in cash and/or in kind), as defined in the Companies Law ("the Distribution") whereby the date of record for eligibility for the Distribution falls before the end of the exercise period for the Options, the exercise premium set for the Options will be decreased by the amount of the dividend in NIS.<sup>17</sup> The Company will issue an immediate report to announce the new exercise price before opening for trade on the ex-dividend day.

## 6.11. General

- 6.11.1. Subject to the provisions of any law, the Company reserves the right to purchase as part of on-floor or off-floor TASE trading, at any price it deems fit, the Options that will be outstanding at any given time. In the event of such purchase, the Company will issue an immediate report

<sup>17</sup> As Options (Series I and J) are not linked to any index, there will not be any index-linked adjustments.

in this regard. Subsidiaries of the Company or any other investee under its control may, from time to time, purchase and/or sell warrants issued under this Shelf Prospectus, at their discretion. the Options held by the Company, a subsidiary or other investee under its control, will be considered to be an asset of the Company, its subsidiary or such other investee, respectively

6.11.2. If the Company, its subsidiary or other investee under its control purchase the Options offered under the Shelf Prospectus, then the underlying shares from the exercise of the Options held by the Company, its subsidiary or other investee under its control (as the case may be), may be offered for sale in the future as new shares of the Company; i.e. under a prospectus in accordance with the Securities Law or in a private placement (including applicability of lock-up rules prescribed by law with regard to offering them under a private placement)

6.12. Non dilution of capital.

6.12.1. During the period from the date of publication of this Memorandum through allotment offered under a prospectus of the securities offered under this Memorandum, the Company will not take any action which could materially dilute capital as defined in the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form) 1969, regarding the securities offered in this Memorandum.

7. **Additional terms of the offered securities**

7.1. The shares offered under the Shelf Offering Memorandum and/or the underlying shares from the exercise of Options (Series I) and/or the underlying shares from the exercise of Options (Series J) offered under the Shelf Offering Memorandum, will be equal in every aspect to the ordinary shares of NIS 0.01 par value each of the Company ("the Ordinary Shares"), and will be registered in the Company's register of shareholders in the name of the Nominee Company.

7.2. For further information regarding the highlights of the rights attached to the Ordinary Shares, see Chapters C and E (section 6.5) of the Prospectus.

## 8. Price of the Company's shares on the TASE

- 8.1. Breakdown of the highest and lowest closing prices of the Company's Ordinary Shares on the TASE in 2014, 2015 and in the period from January 1, 2016 through to just prior to publication of this Memorandum (in agurot):

Period	Highest Closing Price		Lowest Closing Price	
	Price	Date	Price	Date
Jan 1, 2014 - Dec 31, 2014	29.5	Jan 7, 2014	15.2	Nov 3, 2014
Jan 1, 2015 - Dec 31, 2015	84.6	July 15, 2015	22.2	Jan 1, 2015
Jan 1, 2016 - Jan 28, 2016	51.6	Jan 5, 2016	48.9	Jan 4, 2016

## 9. Taxation

**As is generally accepted when taking decisions regarding the investment of money, it is necessary to consider the tax consequences in respect of the investment in the securities offered under this Prospectus. It is recommended that whosoever wishes to purchase securities under the Prospectus and this Shelf Memorandum receive professional advice in order to clarify the tax consequences which will apply to them, with attention to their specific circumstances. The Company does not constitute any representation with regard to the tax implications that may apply to anyone wishing to acquire securities under this Shelf Memorandum, and the provisions of this Memorandum do not constitute a substitute for individual consultation with experts, with attention to the specific circumstances of each subscriber.**

## 10. Refrain from making arrangements

- 10.1. The Company, its board of directors and the Underwriters undertake by their signature on this Shelf Offering Memorandum, to refrain from making any arrangements not stated in the Shelf Prospectus and/or in the Shelf Offering Memorandum with respect to the offering of the securities offered under the Shelf Prospectus and this Shelf Offering Memorandum, their distribution and circulation to the public, and undertake to refrain from granting buyers of the securities offered under this Shelf Offering Memorandum the right to sell the securities that they purchased, other than as is set out in the Shelf Prospectus and the Shelf Offering Memorandum.
- 10.2. The Company, its directors and the Underwriters undertake by their signature on this Shelf Offering Memorandum to inform the Securities Authority of any arrangement known to them with a third party that contradicts their undertakings as stated in section 10.1 above.
- 10.3. The Company, its directors and the Underwriters undertake by their signature on this Shelf Offering Memorandum to refrain from engaging with any third parties which to the best of their knowledge have made arrangements contrary to that stated in section 10.1 above.
- 10.4. The Company, its directors and the Underwriters will not accept subscriptions for securities issued under this offering from a distributor, if there will be one, that does not undertake in writing to act in accordance with the provisions of this section
- 10.5. It is hereby clarified that the foregoing does not prevent interested parties in the Company from submitting subscriptions to purchase the Units offered under this Memorandum

## 11. Permits and Approvals

- 11.1. The Company has applied to the TASE to list the securities offered under the Shelf Offering Memorandum for trading on the TASE, and the TASE has given its approval.
- 11.2. **Said approval of the TASE should not be construed as verification of the information presented in the Shelf Offering Memorandum, its reliability or integrity, nor does it represent an expression of any opinion concerning the Company or the quality of the securities offered under the Shelf Offering Memorandum nor of the price at which they are offered.**

## 12. Payment of fees

Pursuant to the provisions of Regulation 4A of the Securities Regulations (Application for Leave to Publish a Prospectus) 1995, the Company will pay to the Securities Authority an additional fee for the securities offered under this Shelf Offering Memorandum.

## 13. Issue Proceeds and Appropriation

- 13.1. The Company's expected proceeds from this issue (on the assumption that all the Units offered under this Shelf Offering Memorandum will be purchased at the price per Unit) are as follows:

Expected immediate proceeds (gross):	NIS 8,188 thousand
Less underwriting, management and distribution fees <sup>18</sup>	NIS 100 thousand
Less brokerage commissions <sup>19</sup>	NIS 516 thousand
Less other expenses (estimate only) <sup>20</sup>	NIS 160 thousand
<b>Expected immediate proceeds (net)</b>	<b>NIS 7,412 thousand</b>
The net future proceeds that may be received from the exercise of Options (Series I and Series J) (on the assumption that all of the Options (Series I and Series J) offered will be exercised for ordinary shares)	NIS 15,300 thousand

<sup>18</sup> For further information regarding the underwriting agreement signed with the Underwriters and the commissions set therein, see section 14 of this Memorandum, below.

<sup>19</sup> Pursuant to the brokerage agreement ("Brokerage Agreement") dated January 27, 2016 between the Company and a broker (independent third party) ("the Broker") for brokering the investment agreement between the Company and the Investors, the Broker is entitled to receive brokerage commissions for his services, upon completion of the offering to the Institutional Investors under this Memorandum, of 5.5% of the gross immediate issue proceeds (with respect to the Institutional Offerees in the non-standard offering). In addition, the issue advisor (an unrelated third party) ("the Advisor") will be entitled, under an advisory service agreement with the Company ("the Advisory Agreement"), to a brokerage commission of 1.5% of the gross immediate issue proceeds (with respect to the Institutional Offerees in the non-standard offering) and to a number of Options (Series I) equivalent to 7% of the number of Options (Series I) to be issued under the Shelf Offering Memorandum to the Institutional Offerees in the non-standard offering. With regard to the allotment of Options (Series I), immediately following completion of the issue under the Offering Memorandum the Company will allot, free of charge, in a private placement by way of series expansion, to the Advisor a number of Options (Series I), as fixed in the foregoing Advisory Agreement. The terms and conditions of the Options (Series I) to be issued as aforesaid will be identical to the terms and conditions of the Options (Series I) that will be allotted under the Shelf Offering Memorandum. The Company has not yet applied to the TASE to approve the allotment of Options (Series I) constituting part of the foregoing advisory commissions and such allotment is subject to obtaining the approvals required by law, including the approval of the TASE. Subject to compliance with the terms and conditions for allotment of Options (Series I) as aforesaid, the Company will apply to the TASE to approve listing of Options (Series I) and the underlying shares deriving from the exercise of foregoing Options (Series I).

<sup>20</sup> Including, among other things, professional advisors fees, issue lead managing and underwriters' auditors expenses, media advertising, addition to the Securities Authority fee for the offered securities, listing fees to the TASE, etc.



- 13.2. A minimum amount to be achieved in this issuance has not been set. As stated above, the non-standard offering part of the issue is made to the Institutional Offerees in accordance with the provisions of the agreement as described in sections 5.1 - 5.6 above, and according to which they are required to subscribe for all the Units offered under this Memorandum. As stated above, the issue under this Memorandum is secured in part with underwriting as set out in section 14 of this Memorandum, below.
- 13.3. The proceeds of this issue will be used for various purposes, as per the Company's operating needs from time to time, and this includes for the Company's approved budget and work plan, and all in accordance with the decisions of the Company's board of directors, as may be from time to time. It is hereby clarified in this regard that the proceeds of the issue will also be used to finance ongoing operations, including the R&D activities of the subsidiary, CollPlant Ltd.
- 13.4. Until it is used, the proceeds of the issue will be held in the Company's bank accounts and will be invested in accordance with the Company's investment policies, as these may be from time to time, and provided that each such investment will be in solid investment channels, including and without derogating from the foregoing generality, in interest bearing NIS deposits or interest bearing foreign currency deposits.

#### 14. Underwriting

As noted above, the securities offered under this Shelf Offering Memorandum are secured by partial underwriting.

Below is a breakdown of the main points of the underwriting agreement dated January 31, 2016 between the Company and Apex Issuances Ltd., ("the Underwriters" or "Co-Managers" or "Lead Manager", as the case may be), which will come into effect once this Shelf Offering Memorandum is published:

##### 14.1. General

Under the underwriting agreement dated January 31, 2016 (in this section: ("the Underwriting Agreement" or "Agreement") between the Company and the Underwriters, the Underwriters have undertaken to secure by partial underwriting the purchase of 1,112 Units offered to Institutional Investors and to the public under this Memorandum ("the Units"), constituting 25% of the scope of the Offering under this Memorandum, at the price per unit and in accordance with the provisions of the agreement, as set out below.

##### 14.2. Rate of Underwriters' participation

Each underwriter will participate in securing the purchase of the offered securities based on the following list:

<b>Underwriter</b>	<b>Number of Units undertaken</b>
Apex Issuances Ltd. ("Apex")	1,112
<b>Total</b>	<b>1,112</b>

##### 14.3. Allotment of securities to subscribers

Immediately upon commencement of the period for submitting subscriptions, the Lead Manager will begin to collect the subscriptions submitted by the Offerees wishing to participate in the issue.

The securities will be allotted to the Offerees at the sole discretion of the Lead Managers, and after consulting with the Company as set out in section 5.32 of the Shelf Offering Memorandum, according

to the method of offering of the securities and subject to any law, and provided that if subscriptions are submitted for the purchase of all the offered Units, allotment to the subscribers will not be carried out in a way that will leave units that the Underwriters will be required to purchase in accordance with the Underwriting Agreement.

Each of the underwriters will undertake that, at the request of the Lead Manager, they will review the list of investors that submitted subscriptions to purchase the offered Units and will notify the Lead Manager which subscribers are Institutional Offerees belonging to its group or whose investments are managed by its group, as this term is defined in Regulation 13 of the Method of Offering Regulations, and this at the earliest date which will allow the co-managers to allot the offered Units to the subscribers on the date set for doing so in the prospectus in a manner that will not violate the requirements of the foregoing Regulation.

On the first trading day after the end of the period of submitting subscriptions, no later than at 3:00 PM, the lead manager will send a list of the investors to whom issued securities were allotted ("the List of Investors") to the Dealer Manager and to the Company. The List of Investors will include the full name of each investor, details of their accounts and the number of Units allotted to them.

#### 14.4. Underwriters' liabilities

The Underwriters undertook to purchase, each according to their foregoing share, from the Company, all the Units regarding which, as notified by the lead manager, subscriptions were not submitted by the end of the period for submitting subscriptions, or regarding which the full price was not paid to the Company for any reason whatsoever, by the date of record as set in regard thereto in the Prospectus

The Units will be purchased, if required as set out above, at the price per unit, less any taxes and duties, if required.

The underwriting agreement will be irrevocable on the part of the Underwriters for the purchase the secured Units that they undertook to purchase as set out in the agreement.

Each Underwriter will be liable towards the Company for the rate of their participation as set out above and without any mutual liability between them.

Each Underwriter declares and undertakes that every sale made through them or through a distributor affiliated to them for the purpose of marketing the securities offered under the Prospectus, will be at the price per unit.

Each Underwriter hereby explicitly agrees that the allotment to subscribers in the offer under the Prospectus will be carried out according to the sole discretion of the Lead Managers, and after consulting with the Company as set out in section 5.32 of the Shelf Offering Memorandum.

Each Underwriter declared and undertook that they are authorized to undertake the underwriting liability in this agreement, while also taking into account section 10 of the Securities Regulations (Underwriting) 2007, as amended from time to time ("the Underwriting Regulations") and that they comply with all the reservations stipulated in this Regulation regarding their underwriting obligations under this agreement.

Each underwriter will notify Apex Issuances Ltd. (the "Lead Manager") based on the details and on the dates as required by the lead manager regarding their compliance with the reporting duties applicable to them under Regulation 16 of the Underwriting Regulations ("Notice of Details"), no later than two days after closing of the sale under the offering in the Prospectus. In accordance with the agreement, providing such notice of details constitutes a condition for the payment of commissions

to the underwriters and underwriters that fail to provide the lead manager with such notice of details will not be entitled to their share in commissions.

No later than three trading days after publication of the Shelf Offering Memorandum, in accordance with section 16 of the Underwriting Regulations, each underwriter will submit a declaration to the Securities Authority in which they will confirm and verifying the information that relates to them in the foregoing Memorandum.

#### 14.5. Underwriter qualifications

Each of the underwriters declared that they are duly registered in the Registry of Underwriters, in accordance with Regulation 3(B) of the Underwriting Regulations, as duly active and reporting underwriters pursuant to the Underwriting Regulations and that at the date of signing of the agreement, all they are in compliance with all the conditions for qualification as required under the Underwriting Regulations and they declared and undertook to maintain such qualification until the fulfillment of all their foregoing obligations or until it transpires that they have no liabilities and that they will immediately inform the Company and lead managers of any change in the accuracy of their declaration regarding their qualifications to serve as underwriter.

Each of the underwriters declared that at the date of the signing of the underwriting agreement they have the undoubted and unconditional financial capacity for complying with all their liabilities under the agreement, and they declare and undertake to maintain such financial capacity until the fulfillment of all their foregoing liabilities, or until it becomes apparent that they have no obligations, and that they will give immediate notice to the Company and to each of the underwriters ("the lead managers") of any change in the accuracy of their declaration regarding their qualifications or their ability to comply with their foregoing liabilities.

If such foregoing notice is received and/or if the lead managers believe that there has been a change in the accuracy of the declarations or the capacity of another underwriter to comply with their liabilities as set out above, the lead managers may, at their sole discretion, inform such underwriter that it has been excluded from the underwriting syndicate and has been replaced by another or by others, or that its share has been limited, or take any other action that they deem fit to ensure full and proper underwriting of all the Units. . If the lead managers apply their authority as set out above, they will give notice thereof to the Company and the Company will, without delay, inform the Securities Authority and the TASE thereof.

Under such circumstances, each of the underwriters undertakes to sign an amendment to the Prospectus, if in the opinion of the Securities Authority or the lead managers, such notice requires that the Prospectus be amended, pursuant to sections 25 and/or 25A of the Securities Law.

Such aforesaid amendment will not in itself constitute grounds for releasing any of the underwriters from their obligations under the agreement.

#### 14.6. Realization of Underwriting Commitment

By the second trading day after the end of the period for submitting subscriptions, no later than 3:00 PM, the lead manager will notify Apex ("the Dealer Manager") of the total number of units out of the units offered under the Prospectus that the underwriters are required to purchase in accordance with the terms of this agreement, and the Dealer Manager will inform each of the underwriters what their share of such purchase is.

In the event that the underwriters are required to purchase Units in accordance with the agreement and based on such foregoing notice, the underwriters will pay to the Company through the Dealer Manager, and pursuant to the terms of the Prospectus, the proceeds for the Units that they will be

required to purchase, as stipulated in this agreement, no later than by 12:00 noon on the third trading day after the end of the period for submitting subscriptions, and this subject to compliance with the other conditions for listing the securities for trading on the TASE, as defined in the Prospectus.

Upon receipt of any amount of the foregoing proceeds, the Company will transfer and allot to the underwriters, the securities that they have purchased.

Without derogating from the foregoing, the underwriters may deduct from the proceeds for the Units that they are required to purchase, any amounts for commissions due to them under this agreement, provided that the commissions have not been deducted at that time, in accordance with the foregoing.

The underwriting agreement will be irrevocable on the part of the Underwriters for purchasing the Units that they undertook to purchase as set out in the agreement.

#### 14.7. Listing for trading

The Company will act and take all measures within its power to cause the securities offered under the Offering Memorandum, including the offered shares and the underlying shares from the exercise of Options (Series I) and/or Options (Series J) offered under the Offering Memorandum, to be listed for trading on the TASE, all as set out in the Offering Memorandum.

#### 14.8. Commissions

The Company will pay, through the Dealer Manager, in return for the undertakings and services provided by the lead managers and underwriters under the underwriting agreement, including for the services of the Dealer Manager, the amounts as set out below:

##### **Lead managers and underwriters**

Underwriting, management and distribution fees in a total amount of that is not material to the Company (as a percentage of the scope of the immediate proceeds (gross) expected from the issue under this Memorandum), including for the Units that will be purchased (if any are purchased) by an underwriter for fulfilling their underwriting liabilities under this agreement.

The lead manager may, at its sole discretion, pay fees to third parties qualified to act as distributors under the provisions of the Underwriting Regulations, in return for issuance advice and assistance in marketing and distributing the securities, out of the fees due to them under this section, provided that these amounts are not paid to the end buyer of the issued securities.

The Company will pay the underwriters and entities that are authorized dealers as defined in the Value Added Tax Law, the commissions and amounts set out above, with the addition of VAT, against receipt of a lawful tax invoice. The Company will transfer the VAT amounts directly to those eligible to receive them by the 15th of the month following the month in which the foregoing tax invoice was issued to the Company.

#### 14.9. Indemnification

The Company will indemnify the underwriters or any one of them for any monetary liability imposed on them in favor of another entity in a court ruling, including a ruling handed in a settlement or ruling handed by a court certified arbitrator, on the grounds that the Prospectus contained misleading information, as well as for reasonable litigation costs, including attorney's fees actually incurred by any of the underwriters or imposed upon them by the court in proceedings pursuant to this section or with regard to monetary sanctions imposed on the underwriter in administrative enforcement proceedings in favor of a party injured by the infringement and/or for expenses incurred by the underwriter with regard to an administrative enforcement proceeding conducted regarding its business, including reasonable litigation costs and attorneys' fees. "Administrative enforcement

proceedings" will mean - proceedings pursuant to Chapter H3 (Imposing Monetary Sanction by the ISA), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) or I1 (Conditioned Arrangement for Avoidance of Taking Action or for Stopping Action) of the Securities Law, as well as proceedings pursuant to Article D in Chapter IV of Part IX of the Companies Law and any other similar proceedings whatever they may be called, or with regard to criminal indictment in which the underwriter was acquitted or in which it was convicted of an offense that does not require criminal intent or as a consequence of an investigation or proceedings conducted against it by the authority certified to conduct such investigation or proceeding and which culminated without an indictment being filed against it and without imposition of a monetary sanction as an alternative to criminal proceedings (as defined in the Companies Law) or that culminated without an indictment being filed against it, but with imposition of monetary sanctions as an alternative to criminal proceedings for an offense that does not require proof of criminal intent or with regard to monetary sanctions, and all on grounds that the Prospectus contained misleading information. The Company's undertaking for indemnity as described above is for an amount equivalent to the gross immediate proceeds of the issue, linked to the CPI as from the known index on the date of this agreement through to the known index on the date of actual payment of indemnity ("the Maximum Amount").

Notwithstanding the foregoing, in the event of imposition of sanctions as aforesaid, the amount of the indemnity paid will not exceed twenty-five percent (25%) of the Company's equity as per the Company's most recent audited or reviewed consolidated financial statements at the time of such demand for indemnity ("the interim amount"), if there is a reasonable concern that payment exceeding the interim amount will prevent the Company from meeting its existing and anticipated liabilities (apart from the Company's obligations to its controlling shareholders) at the date of the initial demand by the underwriters for indemnity under this agreement ("the Condition"). It is hereby clarified and agreed that once the foregoing reasonable concern ceases to exist, the underwriters will be entitled to further indemnity up to the amount of the difference between the maximum amount and the interim amount. It is further clarified that payment of indemnity up to the interim amount is not subject to the condition and that the condition does not derogate from the rights of the underwriters to remedies against the Company pursuant to and subject to any law, and that the condition will not apply in the event that a liquidation order is issued against the Company or a provisional receiver is appointed for it in a proceeding initiated other than by any of the underwriters on causes of action in accordance with this agreement.

Each of the underwriters may demand that the Company conduct any negotiations or defense against such proceedings and/or claims on its behalf. If the Company does not comply with the underwriter's request, the underwriter may, without the consent of the Company, reach a settlement with the plaintiff for any amount it deems fit and the Company will be obliged to indemnify the underwriter for the amount of the settlement and for any amount it incurred in the course of handling of such claim, provided the Company is given seven days written notice of the intention to settle as aforesaid and the Company did not undertake to conduct the proceedings as set out above, subject to the limited amount described above.

The foregoing duty of indemnity will not apply with regard to any underwriter for any amount imposed as a result of misleading information in the Prospectus that was based on or due to a claim based on information that the underwriter submitted to the Company in writing for the purpose of the preparation of the Prospectus.

An underwriter will not be indemnified with regard to misleading information if it is not proven that the underwriter believed in good faith that the Prospectus does not contain misleading information, or for actions performed by the underwriter intentionally or recklessly.



An underwriter will immediately inform the Company and the other underwriters of any claim or demand for payment filed against the underwriter as set out above.

#### 14.10. Release of an Underwriter from its liabilities

Notwithstanding the foregoing, if it emerges that the Prospectus contains misleading information or that it is missing material information, or in the event that the Securities Authority orders the Company, pursuant to Section 25(A) and/or Section 25A(B) of the Securities Law, to publish an amendment to the Prospectus or to publish an amended prospectus, or in the event that the Company will request (without obtaining prior written consent from the lead managers) to amend the prospectus in accordance with Section 25A(A) of the Law, the underwriters or any one of them may, by giving notice to the Company within three business days from the day on which any of the foregoing events is made known to them, as the case may be, but no later than by the end of the period for submitting subscriptions, to be released from all their obligations towards the Company under the underwriting agreement, and this will apply if the foregoing misleading information or material information missing in the Prospectus was not known to such underwriter at the time of signing of the underwriting agreement or if the instructions were given or the subscription was submitted as a consequence of something that was not known to such underwriter at the time of signing the underwriting agreement, and which if it had reasonably been known, the underwriter would not have engaged in the underwriting agreement with the Company or would not have engaged in this agreement under such circumstances.

The Company will give notice on the same day to the lead manager regarding instructions given by the Securities Authority to publish foregoing amendment to the prospectus or regarding the Company's request to publish an amended prospectus as aforesaid.

If one or more of the underwriters exercise their right as aforesaid and are released from their obligations under the underwriting agreement as set out above, the Company will apply to the Securities Authority and the TASE for leave to amend the Prospectus in accordance with the provisions of section 25A(A) of the Securities Law. Such foregoing application and resulting amendment to the Prospectus will not in itself constitute grounds for release of any of the underwriters from their obligations under the agreement.

If any of the lead managers act in accordance with this provision and be released from their obligations as aforesaid, without another lead manager assuming the obligations of the released underwriter, the underwriting agreement with the other underwriters will also be canceled and the Company will apply to the Securities Authority and the TASE for leave to amend the Prospectus or to cancel the issue, all at its discretion. In the event that the Company decides not to cancel the issue and to execute it without underwriting, the Company will apply to the Securities Authority and the TASE for leave to publish an amended prospectus that will not contain the underwriting agreement and will not include underwriters.

#### 14.11. Grounds for the Cancellation of the Issue

Notwithstanding the provisions of this agreement, it is agreed that the lead managers may, at the discretion of the majority of the lead managers, and provided that the Lead Manager is among them, cancel all the underwriting liabilities under this underwriting agreement, provided that it is done in a notice that is delivered to the Company no later than the date of publication of this Shelf Offering Memorandum, and this if, in their sole opinion, the financial state (including the state of the capital market), the political and security situation in the State of Israel or globally is not appropriate for carrying out the proposed issue under the Prospectus.

In such event, the underwriting agreement will also be canceled with the remaining underwriters and the Company will apply to the Securities Authority for leave to amend the prospectus or to cancel the issue, all at its discretion.

Notice of the cancellation of the underwriters' obligations and the cancellation of the underwriting agreement as aforesaid, will be given under the signature of the lead managers and will be considered as having been delivered to the Company when presented at the Company's official offices or at the offices of the attorneys for the issue.

In the event that the Company decides not to cancel the issue it will apply to the Securities Authority and the TASE for leave to publish an amended prospectus that will not contain the underwriting agreement and will not include underwriters.

#### 14.12. Actions to be taken in the event of the cancellation of the Issue

In the event that the issue will be canceled as aforesaid, the Company will give notice thereof in an immediate report and will publish a notice to the effect on the same day if possible, in one newspaper and on the next day in two widely circulated Hebrew newspapers in Israel.

It is hereby clarified that if the issue is canceled under the circumstances as described above, that the lead managers and/or the underwriters and each of them will not be liable to the Company and the Company will not be liable to the underwriters and/or to the lead managers in respect of any damage that may be caused as a result of and/or in connection with the aforesaid cancellation and/or in respect of any expense incurred in the course of and/or in connection with the preparation of drafts of the prospectus and the prospectus and/or in the course of negotiations prior to the signing of the underwriting agreement.

#### 15. Material modifications and additions since the publication date of the Shelf Prospectus through to the publication date of this Memorandum

15.1. For details of material modifications and additions that occurred with regard to any matter that is to be described in the Shelf Prospectus, since the publication date of the Shelf Prospectus through to the publication date of this Shelf Offering Memorandum, see the periodic and immediate reports issued by the Company since the publication date of the Shelf Prospectus through to the publication date of this Shelf Offering Memorandum, as published on the distribution website of the Securities Authority at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il); and on the TASE website at: <http://maya.tase.co.il>, whereby the information appearing therein is noted here as reference.

15.2. Additional details:

15.2.1. Further to the Company's immediate report in July 2015 with regard to the signing of a non-binding memorandum of understanding with a leading company in the United States to develop and commercialize a product for spinal fusion and trauma indications [Ref. No. 2015-01-070206, included here as a reference], as at the date of this Memorandum, the Company is still negotiating with the US company for reaching a final and binding agreement, as well as further due diligence with regard to the Company's technology. Notwithstanding the aforesaid, it is not at all certain that such binding and final agreement will in fact be signed and under what terms (including with material changes to the terms and conditions set out in the MOU). The Company expects that if a final and binding agreement will be signed, it will be during the second quarter, at the earliest. ***The Company's foregoing information and assessments with regard to the non-binding MOU becoming a binding agreement, including fulfillment of any of the preconditions including the signing of a binding agreement, and/or the success of the development of the medical product and its progress according to plan, and including projections, dates, estimates and/or plans of the***

***Company with regard thereto, constitute forward-looking information as defined in the Securities Law 1968, that involves much uncertainty, and based, inter alia, on third parties and numerous variables that the Company does not necessarily have control over, and therefore the materialization of the MOU into a binding agreement and the dates and time schedules relating to the fulfillment of the preconditions and deadlines relating to completing the negotiations for reaching an agreement and/or its completion, may not materialize and/or may not materialize in full and/or may materialize in a manner significantly different from that anticipated or expected from the outset. Among the factors that could cause the Company's information and estimates with regard to the foregoing information to materialize in the desired manner could include, among other things, the failure of the parties to reach an understanding as part of a binding agreement and/or the emergence of unresolvable disputes, failure to obtain regulatory approvals and/or approvals from government authorities if required (if at all), including from the Chief Scientist, and the materialization of any of the risk factors as set out in section 30 in Chapter A (Description of the Company's Business" of the Company's annual report for 2014.***

- 15.2.2. Further to the Company's earlier updates with regard to its efforts to explore additional financing opportunities and listings to continue developing its operations and businesses, the Company is preparing for the opportunity to list its securities on the major US stock exchange (with respect to which, as at the date of this Memorandum, it is not at all certain that it will be completed (if at all) and under what terms) ("the Listing Process"). ***The Company's foregoing information and assessments with regard to the Listing Process and/or its conclusion, including the details and conditions under which it will be carried out, and including projections, dates, estimates and/or plans of the Company with regard thereto, constitute forward-looking information as defined in the Securities Law 1968, that involves much uncertainty, and based, inter alia, on third parties and numerous variables that the Company does not necessarily have control over, and therefore the materialization of the Listing Process and the dates and time schedules relating to the fulfillment of the process and/or its completion, may not materialize and/or may not materialize in full and/or may materialize in a manner significantly different from that anticipated or expected from the outset. Among the factors that could cause the Company's information and estimates with regard to the foregoing information to materialize in the desired manner could include, among other things, adverse changes in the market conditions and lack of financial and/or other feasibility for completing the Listing Process, failure to obtain regulatory approvals and/or approvals from government authorities if required (if at all), and the materialization of any of the risk factors as set out in section 30 in Chapter A (Description of the Company's Business" of the Company's annual report for 2014.***

## 16. Subsequent events

Pursuant to the provisions of Regulation 4A of the Securities Regulations (Shelf Offering of Securities) 2005, below is a Report of Events (as defined in Regulation 56A of the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form) 1969, with regard to material events (as defined in the foregoing Regulation) that have occurred in the period since the date of signing of the annual financial statements as at December 31, 2014 published on March 22, 2015 [Ref. No. 2015-01-057259] and in the period since the date of signing of the quarterly financial statements as at March 31, 2015 published on May 31, 2015 [Ref. No. 2015-01-034902], on August 31, 2015 [Ref. No. 2015-01-110433] and on November 30, 2015 [Ref. No. 2015-01-169668] (together, in this Memorandum below: "the Financial Statements"), through to the date of publication of the Shelf Offering Memorandum.

**Report of Events as this term is defined in Regulation 56A of the Prospectus Regulations concerning events that occurred subsequent to the date of the financial statements.**

1. On December 27, 2015 the Company announced that it received notice from the European Patent Office according to which, Fibrogen Inc. (the "Objector") had launched objection proceedings against the European patent issued in the name of CollPlant ("the Patent"). The Objector claims that the patent claims filed by CollPlant go beyond the literal backup in the body of the patent and therefore are not new and they have no inventive advancements, thus allegedly according to the objection ("the Objection"). The Company's management is reviewing the Objection and will act to file its response to the Objection by the deadlines set. CollPlant is required to respond to the Objection on the dates set and it intends doing so. Based on the initial assessment of CollPlant's management and advisors, the Company estimates that the chances of the Objection succeeding are very low, inter alia, due to the fact that the arguments for the Objection are based, among other things, on documents of early knowledge most of which were to the patent application investigator when it was investigated, and because similar claims were already raised by the Objector with regard to another CollPlant patent, and dismissed by the European Patent Office. In that case, the Objector's claims were dismissed as aforesaid and CollPlant was awarded the patent in 2013. This case is still under appeal proceedings at the European Patent Office. For further information the Company's immediate report dated December 27, 2015 should be reviewed [Ref. No. 2015-01-189042], included herein as a reference.
2. CollPlant Ltd., the wholly owned subsidiary of the Company ("CollPlant") received notice on January 4, 2016 regarding approval for joint registration of a patent in the United States protecting the technology for producing compound substances that enable the development of exclusive products for orthopedics and other medical sectors for the healing of tissue (in this section: "the Patent"). The Patent, number US9145463, refers to a protein with elasticity properties also known as Resilin, is jointly owned by CollPlant and Yissum Research and Development Company of the Hebrew University of Jerusalem, under application filed on November 26, 2008 and with a priority date to November 26, 2007. The patent expires on November 26, 2028. For further information the Company's immediate report dated January 05, 2016 should be reviewed [Ref. No. 2016-01-002815], included herein as a reference.
3. On January 12, 2016 the Company issued an update regarding its intention to present the results of the Company's Vergenix@FG clinical trial ("the Product" and "the Trial", respectively). The Company's plans are to begin sales once CE Mark approval is obtained, in Europe, where the Company selected France as one of its initial target markets for distribution and launching of sales of the product, as aforesaid. The Company has been meeting and conducting discussions with various entities for the distribution and launching of sales of the product in Europe this year (subject to obtaining the CE Mark European marketing approval), including meetings that the Company held last month in France with the participation of several physicians, opinion leaders, who are planning to use the product for treatments, and among other things, to gather clinical data that will support the Company's sales in France. For further information the Company's immediate report dated January 12, 2016 [Ref. No. 2016-01-008242] should be reviewed, included herein as a reference.

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CollPlant Ltd.

Date: January 31, 2016

Names and Positions of the Signatories on this Memorandum:

Yaron Yaniv, Chairperson of the Board of Directors

Yecheil Tal, CEO

Eran Rotem, CFT

**17. Auditors' Letter of Consent**

Below are letters of consent of the Company's auditors that their opinion and review report included in the Company's financial statements (as specified in the letters of consent) may be included as reference in this Shelf Offering Memorandum, and all as written in the letters of consent and subject thereto.





January 31, 2016

To:  
Board of Directors of CollPlant Holdings Ltd.  
Nes Ziona

Dear Sir/Madam,

Re: Shelf Offering Memorandum of CollPlant Holdings Ltd.  
to be published in January 2016

We hereby inform you that we agree to the inclusion of our reports as listed below (also by way of reference) in the foregoing shelf offering memorandum:

1. Review report dated November 27, 2014 on the condensed consolidated financial information of CollPlant Holdings Ltd. ("the Company") as at September 30, 2014 and for the nine and three months then ended.
2. Auditors' Report dated March 22, 2015 on the consolidated financial statements of the Company as at December 31, 2013 and 2014 and for each of the three years ended on December 31, 2014.
3. Review report dated May 31, 2015 on the condensed consolidated financial information of the Company as at March 31, 2015 and for the three months then ended.
4. Review report dated August 31, 2015 on the condensed consolidated financial information of the Company as at June 30, 2015 and for the six and three months then ended.
5. Review report dated November 30, 2015 on the condensed consolidated financial information of the Company as at September 30, 2015 and for the nine and three months then ended.

Best regards,

Kesselman and Kesselman  
Certified Public Accountants  
**PwC Israel**

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel; POB 50005, Tel Aviv 6150001, Israel  
Telephone: 972-3-7954555; Fax: +972-3-7954556, [www.pwc.com/il](http://www.pwc.com/il)

Kesselman & Kesselman is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity

## 18. Legal Opinion

The Company received the following legal opinion:



Yuval Horn, Keren Kanir\*, Roy Ribon, Ohad Maman, Orly Sternfeld, Mia Yaniv-Strum, Danielle Wassner, Yasmin Zohar\*, Paz Abercohen, Tammy Alon, Assaf Unger, Uri Dotan, Roie Kaner, Keren Margalit, Ronen Monosevich\*\*

\* Member of the New York Bar Association

\*\* Special Advisor

Tel Aviv, January 31, 2016

Attn:

CollPlant Holdings Ltd.

Dear Sir or Madam,

Re: **Shelf Offering Memorandum of CollPlant Holdings Ltd.**

In response to your request, with regard to the Shelf Prospectus dated November 25, 2014 of CollPlant Holdings Ltd. ("the Company") and with regard to the shelf offering memorandum to be published thereunder by you in January 2015 ("the Shelf Prospectus" and "Shelf Offering Memorandum", respectively), in respect of a non-standard offering to institutional investors only of up to 15,512,000 ordinary shares of the Company and up to 11,636,000 Options (Series I) of the Company and up to 7,756,000 Options (Series J) of the Company together with a standard offering to the public of up to 1,725,710 ordinary shares of the Company and up to 1,294,505 Options (Series I) of the Company and up to 862,855 Options (Series J) of the Company ("the Offered Securities"), we hereby give you our opinion, as follows:

- A. The rights attached to the securities offered in the Shelf Offering Memorandum are in our opinion properly described in the Shelf Prospectus and in the Shelf Offering Memorandum issued thereunder.
- B. In our opinion, the Company has the authority to issue the securities offered under the Shelf Offering Memorandum in the manner described in the Shelf Prospectus and in the Shelf Offering Memorandum.
- C. In our opinion, the members of the board of directors of the Company have been duly appointed and their names are included in the Shelf Offering Memorandum.

We hereby consent to have this opinion of ours included in the Shelf Offering Memorandum that will be published in January 2016.

Sincerely,

Roy Ribon, Attorney at Law  
Horn & Co. Law Firm

**Signatures**

**The Company**

CollPlant Holdings Ltd.

\_\_\_\_\_

**Directors**

Yaron Yaniv

\_\_\_\_\_

Prof. Oded Shoseyov

\_\_\_\_\_

Qian (Tony) Xiaojin

\_\_\_\_\_

Adi Goldin

\_\_\_\_\_

Rami Armon

\_\_\_\_\_

Orli Tori-Trubovitz

\_\_\_\_\_

Ira Leiderman

\_\_\_\_\_

Nira Dror

\_\_\_\_\_

**Underwriters**

Apex Issuances Ltd.

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