

In the Matter Of: Section 350 of the Law of Corporations, Tashnat 1999 (Below: Law of Corporations)

And in the Matter Of: H.B.L. – Hadasit Bio-Holdings Limited, Business No., 513734590
From Hadassah Ein Karem, P.O., Box 120000, Jerusalem, 91120

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And in the Matter Of: Option-Shareholders (Series 4) of the Corporation

And in the Matter Of: The Securities Authority

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WRITTEN REQUEST FOR THE CONVENING OF A GENERAL ASSEMBLY OF THE OPTIONS
SHAREHOLDERS ACCORDING TO SECTION 350 OF THE LAW OF CORPORATIONS

The Honorable Court is Hereby Requested Thusly, By its Authority, including on the basis of Section 359 of the Law of Corporations and by the Company's regulations (Petition for a Compromise or Settlement), Tashsav-2002 (Below: Settlement Regulations"), to convene an assembly of options shareholders (Series 4) (Below: "Options Shareholders") of the company H.B.L. Ltd (Below: "The Applicant" or "The Company"); as will be detailed below, and this for the purpose of the approval of an agreement for a change in the options' conditions, that were issued in accordance with the shelf prospectus that the company published on 25.6.12, and its validity extended on 13.6.14 until 24.6.15 (Below: "The Prospectus").

The proposed settlement by the Applicant of this Subject of Petition is as follows:

The extension of the period of redemption of the options, such that every option (Series 4) of the company will be available for redemption until 26.2.15 (inclusive) instead of until 30.8.14 (inclusive), and the reduction of the price of redemption, such that every (Series 4) option of the company will be subject to redemption at a price of 26 Agorot instead of 1.75 New Israeli Shekels, and everything as detailed below (Below: "The Proposed Settlement":)

1. THE REQUESTED MEASURES

The Honorable Court is thus requested to issue commands and instructions as follows:

1.1 CONVENING OF A GENERAL ASSEMBLY OF OPTIONS SHAREHOLDERS (Below: THE ASSEMBLY)

- 1.1.1. To request a general assembly of the company's (Series 4) options shareholders, for the purpose of discussion and decision in the matter of the approval of the proposed settlement in relation to the (Series 4) options of the company.
- 1.1.2 Only as a substitute, to call for an alternative assembly that the Honorable Court finds appropriate to summon by the power of its authority by law.

1.2 DATE OF CONVOCAATION OF THE ASSEMBLY

As Instructed, that the gathering of the assembly for the discussion and decision of the settlement will be in accord with the instructions of law and in accord with what is set out in the company's procedures and prospectus, at a time and place that will be set by the company, but not before 35 days shall pass from the date that the company will publish an announcement about the summoning of the assembly as stated and from the date of the publication of newspaper announcements in the matter of the assembly's meeting. **The company requests that the Honorable Court will summon the meeting of the assembly as stated within 35 days from the date of the court's decision regarding the assembly (and that the Honorable Court does indeed decide to summon the assembly as stated).**

1.3 The legal minimum participation for the assembly of company options shareholders is as stated in Section 1.1.1 above and will be as set in the company regulations (as detailed in the prospectus). Namely, not less than two (2) (Series 4) options shareholders shall be present, whether in person or whether by proxies, that hold a quarter (1/4) or more of the existing (Series 4) options. If 30 minutes passes from the time set for the assembly and the legal minimum of attendees is not found, it will be postponed to the same day in the following week, at the same hour and place, or to any other time, if set out in an announcement regarding the assembly, and if the postponed assembly does not have the required legal number within half an hour of its set time, then this delayed assembly will be conducted no matter the number of participants. The vote in the general assembly of (Series 4) options shareholders will be by voice count only, where for each option shareholder a single vote will be awarded.

1.4 The Required Assembly Majority will be detailed as Follows:

The required majority in the assembly of company options shareholders will be as set in Section 350 (9) of the Law of Corporations as stated, the majority of the participants in the vote (except for abstainers) who together hold three-fourths of the offered value in the assembly.

1.5 Manner of Convening and Conduct of the Shareholders' Assembly

1.5.1 The announcement regarding the establishment of the shareholders' assembly, will be given only through immediate reports as required according to the Law of Securities, Tashkach-1968 (Below: "Law of Securities") and its regulations.

1.5.2 In every subject that is related to the assembly of option shareholders and about which explicit instructions are not given by the Honorable Court, the company will act in the same matter as spelled out in the regulations of the

company's association or according to the Law of Corporations, the Law of Securities and the regulations installed on the basis of their authority.

- 1.5.3 The place and time for conducting the shareholders' assembly will be set according to the Applicant's exclusive discretion and will be held at least 35 days from the publication of the announcement in the matter of the shareholders' assembly as stated by the authority of the order of the Honorable Court that authorizes the assembly summons.
- 1.5.4 For caution's sake, and in accord with the principles set by the Securities Authority¹ (the position of the Securities Authority in Case 11-12-14596 from the day 18.1.12 in the matter of levels of the Development Authority Limited, on the Magna site immediate reporting of levels, from the day 19.1.12, reference number 019710-01-2012) , it is declared that any participant in the shareholder's assembly, will either by (a) an owner of a substantial holding of company shares and/or (b) a substantial shareholder of (Series 6 or Series 7) securities, and that is considered a "stakeholder of excess personal interest" that was prevented from participation and voting in the shareholder's assembly:

In this Matter:

"Substantive Holdings in the Company's Shares" the valuation (count) of holdings will be calculated in shares that cost more than 70% of the valuation of (Series 4) securities as defined in these terms below;

"Substantial Holdings in the Company's Shares" – A count of the company's shares that are in the shareholder's hands in the amount issued and paid by the company and deriving from the right of voting in it;

"Substantial Holdings in the Company's (Series 6) Securities" - the valuation of options (Series 6) exceeding 70% of the valuation of holdings in (Series 4) securities will be calculated as defined in these terms below;

"Substantial Holdings in the Company's (Series 7) Options" - will be calculated according to the valuation of (Series 7) options of the company that exceed 70% of the valuations of holdings in (Series 4) securities as defined in these terms below;

"Valuation of the company's (Series 4) options held - the valuation of (Series 4) options that are in the possession of the holder as part of the total options (Series 4) registered for commerce;

"Valuation of company (Series 6) options held" – Valuation of the (Series 6) options that are in the holder's possession out of the total (Series 6) options commercially registered;

“Valuation of (Series 7) company option holdings” – Valuation of (Series 7) option holdings in the hands of holders out of the total (Series 7) of options that are commercially registered;

- 1.5.5 In light of what is stated above, the following is directed: A person applying to participate the assembly of shareholders is obligated to declare, in addition to declaration in the matter of the quantity of options held, regarding his holding or non-holding in company shares and (Series 6) options and in option options (Series 7), and to the extent that he holds company shares, and in (Series 6) company options or (Series 7) options, he must declare the amount of shares, (Series 6) options or (Series 7) options among his holdings at the set time.

To give an order in the framework of this request, for the approval of the settlement for a change in the options conditions, that will be approved in the assembly.

To set the deciding day for participation in the assembly, to be set by the company in accord to the instructions set for this company by the Law of Corporations and the regulations installed by its authority, to be published at the time of publication of the announcement in the matter of convening of the assembly.

To Direct That the Company Will be Exempt from the Commission of the Following Acts:

1.8.1 Exemption from Convening of a Creditor’s Assembly

This petition is not a request for the approval of a creditor’s settlement, on which such a settlement is predicated, but rather a settlement that will change only and exclusively the conditions of (Series 4) company warrants, towards the goal of facilitating the redemption of the options, within the purpose that redemption of the options as stated will improve the company’s capital structure. Since a settlement between the company’s creditors, workers and/or any other factor and the company is not under discussion, it is clear that the settlement will only improve the company’s creditors’ position. Accordingly, it will be requested of the Honorable Court that it exempt the company from convening a creditor’s assembly for the purpose of authorization of the proposed settlement.

To the extent that the final date of the (Series 4) options will be extended and the price of their redemption reduced as the assembly will be requested to authorize, this will have the effect of enabling the drafting of capital to the company by means of (Series 4) options in the amount up to 2.3 million NIS. If the date of redemption of shares will not be extended, in the light of the prior price according to which the company’s shares were merchandised as of the date of the presentation of this petition, it seems that the described options will

not be distributed until the date of maturation. As this date is extended, therefore subject to this the price of a company's share, as was determined in stock market trade, will exceed the price at redemption of shares – and this matter will leave an additional mechanism in the company's hands for the purpose of raising needed funds towards its activities and the realization of its plans. It is understood that there is no certainty that on the date of redemption the price of a company's share will exceed the price of redeemed options and this in a manner that the aforementioned option holders will choose to redeem them.

1.8.2 Exemption from the Dissemination of Information and the Attachment of Documents as Stated in the Settlement's Regulations

The Honorable Court is hereby requested in accordance with its authority according to Regulation 8 of the settlement's regulations, to exempt the company from the presentation, of documents, detailing and passing of information as stated in Regulation 7(a) (3) (4), (8), (10) and 7 (b) (1)-(4) of the settlement's regulations, and this for the following reasons:

- A. The substance of the proposed settlement contained in this petition is the extension of the time of redemption of the options alone, where the information whose attachment is required by the abovementioned settlement's regulation is intended for compromise arrangements or settlements that companies arrange when in difficulties, and is not relevant to this proposed settlement.
- B. The proposed settlement is brought to the approval of the option-holders and the applicant stockholders. The applicant is a public company that continuously delivers periodic and immediate reports to the owners of its securities, in accord with the **Law of Securities**, Tashkat – 1968 (Below: "Law of Securities") and the regulations installed on the basis of its authority. Accordingly, the information whose addition is required by the settlement regulation is information found by definition within the company shareholders' knowledge, and the knowledge is open and available to anyone interested via the distribution sites of the Securities Authority (The Magna System) and of the securities stock market (The Ma'ya System).

1.8.3 Exemption from Presentation to Creditors

Within the detailed circumstances of this petition, the Honorable Court is requested, in accord with its authority according to Regulation 3(g) of the settlement regulation, to exempt the corporation from presenting this petition to its essential creditors or from displaying this petition in the company offices.

1.8.4 Exemption from Publication

The Honorable Court is requested to exempt the company from the need to publish announcements in the matter of the presentation of this petition for the convening of the assembly in newspapers in accordance with the settlement's regulation, and this for the reason that by definition the matter of summons of the proposal and of the settlement is published both on the Magna system (a full-disclosure system of the Securities Authority) and on the Ma'ya system of the securities stock market, as well as in newspapers in accord with the Law of Securities and its regulations.

The following documents are attached as per the request:

- A. A description of the conditions of the (Series 4) options, as detailed in the company prospectus attached as Appendix 1.
- B. The current and immediate report of the company in the matter of the proposed settlement, attached as Appendix 2.
- C. A listing of the company shareholders and presentation of the holdings of company securities of concerned parties, as they appear in the company report to the Securities Authority and to the stock market by means of the Magna system, and attached as Appendix 3(a) and 3(b).
- D. A copy of the report of the presentation of the subjects of senior positions in the company as attached in Appendix 4.
- E. Estimation of the bonus value for the extension of the period of realization of options and the reduction in price of redemption as attached in Appendix 5.

- 1.9.1 The periodic report for the year 2013, and the quarterly report for the period ending on 31.3.14, will be presented in accord with the law and published on the stock market site and that of the Securities Authority.

Arguments of the Petition:

2. The Company:

2.1 Description of the Company and its Activities

2.1.1 The company is a holding company that holds knowledge-intensive companies, works in the field of research and development in the medical and bio-technology spheres, where the basis of their knowledge and its source, in general, lies in researches that work or worked at the time of discoveries of knowledge in the Hadassah medical hospital in Jerusalem.

2.1.2 The company was organized in the year 2005 as a private company in Israel according to the Law of Corporations.

2.1.3 In January, 2006, commercial shares of the company were registered for the first time in the Securities stock market in Tel Aviv (Ltd.) (Above and Below: "The Market"), and the company became a public company as defined in the Law of Corporations.

2.1.4 The company's central asserts are holdings (at different valuations) in companies within the field of biotechnology (Below: "Company Portfolio"), that are based, as a rule, on intellectual property created at Hadassah Hospital.

2.1.5 Core input for the attainment of company objectives is the achievement of sources of funding that will enable the execution of measured and supervised flows of financing to the companies in the portfolio for the purpose of achieving the milestones set forth in the field of research and development, creativity, intellectual property and regulation, so that they reach the state of clinical trials in human subjects.

2.1.6 The company's central purpose is to reward and advance those portfolio companies in which it has holdings, among them through the allocation of sources of required funding for them, within the company's limitations, for the purpose of research and development of the knowledge, technology, and those products found as the basis of the portfolio companies. The allocation of these sources is intended to enable the portfolio companies to advance and reach clear milestone, that within the biotech industry constitute an indication of substance in research, clinical development, the regulatory process, business development and the remaining elements that are tied to company activities that translate to financial value for its owners. This value is built through a continuous period of time and is linked to the investment of significant managerial and funding input.

For additional details regarding the companies held see the corporate business section of the yearly report for 2013.

Description of Company Capitalization

The share capital of the company and the converted securities for the company's shares, up to date to the time of presentation of this petition, are as stated here:

- 2.2.1 The registered company capitalization is 2,750,000 (two million seven hundred and fifty thousand) (two hundred and seventy-five million) regular shares at 0.01 (NIS divided into 270,000,000 NIS delineated value each one).
- 2.2.2 The company's share capital issued and paid, as of the presentation of this petition, is 140,782,972 regular shares at 0.01 NIS delineated value each one.
- 2.2.3 The company has converted securities as described below:
 - (A) 8,843,700 options (Series 4) (Options whose lengthening of period of redemption and redemption at a reduced price are requested within the request as discussed).
 - (B) 12,993,582 (Series 6) options (the Securities ID 1126861, options that will not expire in the year 2014).
 - (C) 14,258,800 (Series 7) options (Securities ID 1132349, options that will not expire in the year 2014)
 - (D) 2,560,130 options (Securities ID 1115492) (non-negotiable).

2.3 The Company's Senior Office-Holders

- 2.3.1 A copy of the Report on the posting of senior office-holders in the company is attached to this petition as Appendix 4.
- 2.3.2 The corporation's senior officers are not stakeholders on the basis of their securities holdings in the company.
- 2.3.3 Except for what is stated above, to the company's best of knowledge, senior officers in the company do not hold company (Series 4) options.

2.4 Company Stakeholders

2.4.1 Medical Research & Development Ltd. (Below: "Hadasit"), a private company registered as Hadasit in Israel, is the controlling power in the company. Hadasit holds about 36.95% of the capital shares (Below: "Ciano"); a private company Ciano Investments Ltd. And the voting rights in the company that was organized in the British Virgin Islands, holds about 8.24% of the stock shares and voting rights in the company.²

²On 14.7.14 the company reported a non-substantive and non-exceptional private offer to the stakeholder, whose fulfillment is expected to put its holdings above 9.17% (Reference Number ____)

2.4.2 To the company's best knowledge, Hadasit and Ciano do not hold (Series 4) company options, such that the applicant does not see in the approval of the settlement a transaction in which the controlling entity in the company has a personal interest requiring a settlement in accord with the instructions of Section 275 of the Law of Corporations.

2.5 Financial Reports

The monitored yearly report for the year 2013 as well as the quarterly report for the period ending 31.3.14 were presented in accord with the legal directives and published on the public website of the stock market and of the Securities Authority.

3. The Proposed Settlement

3.1 The Background and Arguments Towards the Settlement Proposal

3.1.1 According to the prospectus, the company issued 8,843,700 (Series 4) options that may be distributed on 30.8.14 (inclusive) for regular company shares (Below: "**Redemption Period**" and "**End of the Redemption Period**"). The redemption price is set above 1.75 NIS for every option. A description of the option conditions is attached as **Appendix 1**.

3.1.2 As a result of changes that have occurred in the economic environment, there was a fall in the price of securities including those of the company, and a situation was created by which there is currently no economic value in the redemption of (Series 4) company options. This, given that the price and

redemption of (Series 4) options is higher in price than the market in which the company shares are traded.

- 3.1.3 Upon the (Series 4) options' expiration, the company will be forbidden from using any existing mechanism that holds the potential of debt in the potential drafting of capital to the company in the amount of up to 2.3 million NIS, without a need for any financial investment by the company. The extension of the aforementioned options' redemption period and the reduction in the price of their redemption will leave the existing mechanism as a possible course for the raising of needed company funds, and this without any additional cost of fundraising. It is understood that a separate costs exists for the raising of alternative capital sources.
- 3.1.4 An extension of the date and reduction of the redemption price as requested in this petition will provide an opportunity for the (Series 4) shareholders to redeem them, in the case that there will be a change in the stock value within the requested extended period.
- 3.2 Approval of the Company Directorate for the Extension of the (Series 4) options was received, as said above. Below are the Directorate's arguments for the approval of extension of the (Series 4) options redemption date from 14.7.14.
 - 3.2.1 The Company requires funding sources for the purposes of its continued activity.
 - 3.2.2 The fixed redemption price (1.75 NIS, non-index-linked, for an option), is substantially higher than the company stock price in the stock market (by 19.3 agorot). In this situation, and in the case that the redemption period is not extended, there is a low probability that the options will be redeemed by the end of the redemption period, and as a result of this the options will expire at their original date without the company being able to raise any funds by means from these options. Given the current stock market price, the fixed redemption price is very far from the current stock market price, and accordingly a realistic reduction of greater than 26 agorot is required.
 - 3.2.3 The extension of the options' redemption period in concert with the reduction of the redemption price will provide the option holders additional time to weigh the economic value of the options' redemption in the hope that the value of the company shares will rise, so the final result will be economic value in redemption. On this basis, the extension of the redemption period and redemption price reduction will increase the probability of options redemption.

- 3.2.4 In the event of redemption of company options, the matter will bring an additional flow of capital to the company, without significant additional fundraising costs for the company, within the context of the company's own internal capital and the placing of additional required financial sources at the company's disposal for further activities. In contrast, upon the options' expiration the company will not have the possibility of raising a sum of up to 2.3 million NIS via the options' redemption.
- 3.2.5 The proposed settlement constitutes benefit to the company's option holders, when taking into consideration the costs linked in the remaining alternative sources of funds, and there exists an additional significant advantage to the company, all without causing any damage to the company's shareholders or creditors, and without an advantage accruing to controlling interests over those holding public options.
- 3.2.6 In accord with the instructions of Section 3.2.8.3 of the prospectus, "Change in Option Rights and Assemblies of Option Holders," the company is entitled to change the either the redemption period or the redemption price of the options, exclusively on the basis of the conditions detailed in the prospectus or by a compromise approved by the court according to Section 350 of the Law of Corporations.
- 3.2.7 It will be remarked, that in the estimation of the applicant, without approval of the settlement predicated on this request for an extension of the redemption of options, the probability that the (Series 4) options will be redeemed for company shares, until the current repayment date (30.8.14), is indeed the lowest possible, and this in the face of the high redemption price (1.75 NIS) as stated. That is, there is a high probability that the options will expire without the company raising any funds via the options, and in this way all expenses that the company spent on the issuing of those same options will be for naught.

As stated in the Directorate's arguments, with the expiration of the options the company will be blocked from up to 2.3 million NIS available to procurement through the options' redemption.

3.3 Essentials of the Settlement

On the basis of the Company Directorate's decision, the suggested settlement essentials predicated on this request, will be as detailed below:

- 3.3.1 The final date available for redeeming the (Series 4) company options will be the date 26.2.2015 and this in exchange for the amount of 26 agorot, not index-linked, for each option.

3.3.2 Subject to the receipt of approval of the Honorable Court and the approval of the assembly for the proposed settlement, the proposed settlement will take force.

3.4 Changes in Options Terms – The Legal Aspect

3.4.1 Section 350 of the Law of Corporations is hereby the legal framework for the execution of settlements between the company and its creditors or its stockholders or a certain type of them. In the case under discussion, the company seeks to arrive at an agreement with securities holders of a certain kind, and to do this in accord with the terms of Section 350.

3.4.2 Section 3.2.8.3 of the Company Prospectus determines as follows:

“The company is entitled, after prior approval of a separate general assembly of its option holders from one of the Series 6 through 8, by a majority of 75% of the participants in the assembly vote (“**Special Decision**”), to compromise with the options holders of the relevant series in relation to each right or claim of theirs and/or to carry out any correction, change or settlement of rights and of any condition of the options conditions of the relevant series. Despite what is said above, in accord with the directives and regulations of the stock market it is not permitted to change the options terms of any of the Series 6 through 8 that relate to the period of redemption, price of redemption, conditions of linkage and manner of protection in the event of the division of bonus shares and/or rights, **except for changes in the period of redemption and/or price of redemption and/or linkage conditions of the options in the framework of a process of settlement or a compromise that is approved by the court according to Section 350 of the Law of Corporations.**”

3.4.3 According to what is said above and by the stock market’s directives, the company is authorized to change the period of redemption in the framework of a settlement or compromise according to Section 350 of the Law of Corporations and on this basis this petition is presented.

3.5 As stated, the company is a holding company. Its holdings within the portfolio companies are detailed in the company financial report for the quarter that finished on the day 31.3.14 that was presented for discussion and published on the stock market’s official public site and of the Securities Authority.

4. Related Costs in the Proposed Settlement

In the company's estimation, the related costs in the proposed settlement are not significant for the company.

5. Summary

- 5.1.1 This petition is supported in the deposition of Tamar Kfir, the company director.
- 5.1.2 In light of what is said in this petition and in its appendices, the Honorable Court is requested to order as stated at the beginning of this petition.
- 5.1.3 This constitutes relevant and timely authority for the Honorable Court to discuss this petition in light of its subject and that its official office is located in the city of Jerusalem.
- 5.1.4 It is both legal and just to grant the petition.

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