



HBL – Hadasit Bio-Holdings Ltd.

November 28, 2013

**To
The Securities Authority
22 Kanfei Nesharim St.
Jerusalem 95464
Via the MAGNA**

**To
The Tel-Aviv Stock Exchange Ltd.
54 Ehad Ha'am St.
Tel-Aviv 65202
Via the MAGNA**

To whom it may concern:

Re: Immediate Report regarding Convening a Special Assembly of the Shareholders of HBL – Hadasit Bio-Holdings Ltd. (the “Company”)

The Company is honored to submit an immediate report regarding the convening of a special general assembly (hereinafter: the “**Assembly**”), which will take place on Monday, **January 6, 2014** at 10:00 at the offices of the Company in the Bio-Technology Park in the Hadassah Ein Kerem Hospital, in Jerusalem. If a legal quorum is not present at the time, the Assembly will be postponed by one week, to Monday, **January 13, 2014**, in the same place and at the same time.

1. Description of Matters on the Agenda and Proposed Resolutions:

- 1.1. To appoint **Prof. Yaakov Naparstek** to serve as a director of the Company in Group 1, according to Sections 85-86 of the Company's Articles of Association. To determine that Prof. Naparstek shall be entitled to receive remuneration in the amount that the outside directors of the Company receive, and to determine that the language of the letter of indemnification and insurance for the officers existing in the Company shall apply to Prof. Naparstek. The details regarding the director for which approval for appointment was requested are attached as **Appendix A** to this report.

The Proposed Resolution

To approve the appointment of Prof. Yaakov Naparstek to serve as a director in Group 1 of the Company's Board of Directors, to approve a remuneration payment in the amount that the Company's outside directors receive and to determine that the language of the letter of indemnification and insurance for the officers in the Company shall also apply to Prof. Naparstek.

- 1.2. To appoint **Mr. Yigal Erlich** to serve as a director of the Company in Group 1, pursuant to Sections 85-86 of the Company's Articles of Association. To determine that Mr. Erlich shall be entitled to receive remuneration in the amount that the outside directors of the Company receive, and to determine that the language of the letter of indemnification and insurance for the officers existing in the Company shall apply to Mr. Erlich. The details regarding the director for which approval for appointment was requested are attached as **Appendix B** to this report.

The Proposed Resolution

To approve the appointment of Mr. Yigal Erlich to serve as a director in Group 1 in the Company's Board of Directors, to approve a remuneration payment in the amount that the Company's outside directors receive and to determine that the language of the letter of indemnification and insurance for the officers in the Company shall also apply for Mr. Erlich

The declarations of the directors (Prof. Naparstek and Mr. Erlich) are attached as **Appendix D** to this Report.

- 1.3. To approve a bonus and retirement benefits for the outgoing CEO, Mr. Ophir Shahaf, in an amount totaling NIS 96,000. The bonus requiring approval is for Mr. Shahaf's contribution to the Company for the years 2012-2013, and amounts to two months of salary (excluding fringe or social benefits). Similarly, to approve the extension of the exercise

period of 775,130 options (non-tradable) allocated to Mr. Shahaf which will mature by 12/31/13, such that Mr. Shahaf shall be able to exercise the options by 12/31/14 (and not within 90 days from the end of his office at the Company).

The Proposed Resolution

To approve the payment of the bonus and the retirement benefits to Mr. Shahaf in an amount totaling NIS 96,000, as well as to approve the extension of the exercise period of the options (non-tradable) which will mature by 12/31/13, such that they may exercise be exercised by 12/31/14.

- 1.4. To approve the terms of office of Ms. Tami Kfir, the new CEO of the Company (she shall commence her office in the Company on 1/1/2014). The terms of office presented for approval are attached as **Appendix C** to this Report. The proposed terms of office meet the approved remuneration policy provisions of the Company.

The Proposed Resolution

To approve the terms of office of Ms. Tami Kfir.

- 1.5. To pay the serving director, Dr. Einat Zisman, remuneration in the amounts received by the outside directors of the Company.

The Proposed Resolution

To approve to pay Dr. Einat Zisman directors' remuneration in the amounts received by the outside directors of the Company.

2. **Additional details in connection with the bonus and remuneration proposed to be paid to the outgoing CEO of the Company – Mr. Ophir Shahaf – as well as the extension of the exercise period of the options (non-tradable) allocated to Mr. Shahaf which will mature by 12/31/13.**

3. In light of Amendment 20 to the Companies Law, 5759-1999, and in light of the fact that the Company has acted to adopt a remuneration policy (a policy that was approved in a resolution of the general assembly of shareholders on 9/17/2013), Mr. Shahaf was not paid an annual bonus for 2013 and the entire sum of the proposed bonus was not paid for 2012.
4. The Remuneration Committee of the Company, and thereafter the Company's Board of Directors, believe that in light of the operations of Mr. Shahaf as CEO of the Company, including in relation to raising capital for the Company and advancing the Company's portfolio of operations, a bonus in the amount of two monthly salaries should be approved (a total of NIS 96,000) for 2012-2013.
5. The foregoing relates to the payment of a bonus that corresponds with the remuneration policy of the Company, in which it was determined that each year the CEO's bonus would range between 0 and 6 monthly salaries. The Remuneration Committee and the Board of Directors believe that under the current circumstances, including the limited financial sources of the Company, a bonus may be approved in the amount of 2 monthly salaries for the period under discussion.
6. Additionally, in light of Mr. Shahaf's contribution to the Company and the portfolio companies, the Remuneration Committee and the Company's Board of Directors have decided to extend the exercise period of the options (non-tradable) allocated to Mr. Shahaf which will mature by the end of his office at the Company (12/31/13). The Remuneration Committee and the Company's Board of Directors believe that under the circumstances, including the exercise prices of the allocated shares (prices ranging between NIS 2.11 and 7.21), and in light of Mr. Shahaf's contributions as stated, it would be fitting to extend the exercise period of the said options, such that he will be able to exercise them until 12/31/14 (and not within 90 days from the end of his office at the Company). In light of the existing exercise prices of the options for which an extension of their exercise period was requested, and in light of the relatively

short extension, the value of the benefit of the requested extension (and therefore the cost to the Company) is zero.

7. **Additional Details in Regards to the Terms of Office Proposed to be Paid to the Incoming CEO of the Company – Ms. Tami Kfir**

8. The Remuneration Committee and the Company's Board of Directors have conducted a comprehensive identification and screening process for locating a general director of the Company.

9. To that end, a search committee was appointed that includes the Chairman of the Board of Directors of the Company (Dr. Rafi Hofstein), Mr. Michal Sapir (outside director) and Mr. Doron Berger (independent director).

10. The Search Committee contacted the relevant entities for the purpose of finding appropriate candidates, and the various entities provided the Search Committee with a number of recommendations.

11. After the Search Committee sorted out the candidates, and even at its own initiative contacted various candidates to present their candidacy for the position, the Search Committee presented the Company's Board of Directors with a list of possible candidates. From the list presented, three final candidates were selected, and from them, after interviews were held by the members of the Board of Directors and discussions and meetings were held with the candidates, the Search Committee recommended that Ms. Kfir be appointed to the position of CEO of the Company.

12. The Remuneration Committee and thereafter the Board of Directors of the company discussed the candidacy of Ms. Kfir in light of, inter alia, the Company's plans and business goals. The Remuneration Committee and the Board of Directors found Ms. Kfir to be fit for the said position and accordingly recommended her appointment and recommended the approval of the terms of her office.

13. Ms. Kfir's terms of office are being recommended after negotiations have been held between the parties and in light of the approved remuneration policy of

the Company. The Remuneration Committee and the Company's Board of Directors found that the main salary components of Ms. Kfir, as detailed hereunder, are in the lower range of CEO terms of office approved within the Company's remuneration policy.

14. The proposed terms of office of Ms. Kfir are detailed in Appendix D to this Report.
15. The Remuneration Committee and the Board of Directors believe in the importance of an orderly transition of the Company CEO and the smooth continuation of the Company's operations. In light of the fact that the Company employs a very limited number of employees and that the management channel is minimal, in the opinion of the Remuneration Committee and the Company's Board of Directors staffing the CEO position and the approval of the terms of her office is very essential to continuing the smooth functionality of the Company.
16. **Additional Details Regarding the Proposal to Appoint Two Additional Directors to the Company's Board of Directors**
17. Under the Company's Articles of Association, the Company's Board of Directors may appoint additional members.
18. The Company's Board of Directors believes that its composition should be expanded, both from an intellectual-professional standpoint and a business one. To this end, it was proposed that Prof. Naparstek, who serves as deputy to the CEO of Hadassah for Research and Academia and as the Manager of the Internal Department of the Hospital, be appointed as an additional director in the Company. It was also proposed that Mr. Erlich, who serves as the Chairman of the Board of Directors at Hadasit and who operated in the field of investments in high-tech companies, be appointed as an additional director in the Company.
19. Both Prof. Naparstek and Mr. Erlich are related to a controlling shareholder of the Company (Hadasit – the technology transfer company of the Hadassah Hospital).

20. As remuneration for fulfilling their positions, the remuneration proposed was in the same amount as that paid to the outside directors of the Company. It shall be noted that in accordance with the Company's remuneration policy, it was proposed that the directors related to a controlling shareholder receive a capital repayment alone. However, it is proposed that the remuneration paid to the two designated directors (at least, at this time, and such that any change will be brought for approval by law) will be similar to the remuneration paid to the outside directors in the Company. The Company believes that the aforesaid is modest remuneration that will not weigh on its financial position and will not cause a dilution of the holdings of the Company's shareholders.

21. **Additional Details Regarding the Proposed Remuneration for Dr. Einat Zisman**

22. Dr. Zisman serves as the General Director of Hadasit.

23. Dr. Zisman has notified Hadasit of the termination of her office as General Director, for the purpose of accepting a new position offered to her.

24. The Company wishes that Dr. Zisman continue to serve as a director of the Company, even after the termination of her official office as the General Director of Hadasit (12/22/2013). Under these circumstances, the Company has decided to approve the remuneration payment to Dr. Zisman, in the same amount paid to outside directors in the Company.

25. **Vote in the Assembly**

The shareholders are entitled to vote in the resolutions detailed in Section 1 above personally, through a messenger or proxy (for details, see below). A letter appointing a voting proxy, power of attorney or copy approved by an attorney must be delivered to the offices of the Company at least 72 hours before the date determined for the assembly.

In accordance with the Companies Regulations (Proof of Ownership of a Share for Voting in a General Assembly), 5760-2000, an owner of shares registered with a Stock Exchange member which is included in the shares

registered in the registrar of the nominee company, who is interested in voting in the general assembly, shall provide the Company with an approval from the Stock Exchange member regarding the ownership of the share on the effective date, as required under these Regulations.

26. **Voting Via a Proxy**

Shareholders are permitted to vote regarding the resolutions detailed in Section 1 above through a voting proxy. The text of the voting proxy and the position papers for the said assembly may be found on the distribution site of Magna online: www.magna.isa.gov.il, and on the Stock Exchange website at: www.maya.tase.co.il. The shareholder is permitted to directly contact the Company and receive the language of the voting proxy and position papers. The member in the Stock Exchange shall send via email, at no cost, a link to the text of the voting proxy and the position papers on the distribution site to all of the shareholders who are not registered in the Registrar of Shareholders and whose shares are registered with a Stock Exchange member, if the shareholder has requested as such, and provided that the notice was provided regarding a certain securities account and on a date before the effective date.

The voting shall be performed using the second part of the voting letter, as publicized on Magna's distribution site, listed above.

A shareholder whose shares are registered with a member of the Stock Exchange is entitled to receive the ownership confirmation from the Stock Exchange member through which the shares are held at a branch of the Stock Exchange member or via mail to his address for the cost of shipping alone, if requested, and provided that a request in this regard was given in advance for the specific securities account.

The voting letter must be provided to the offices of the Company, according to the address above such that the voting letter will arrive at the offices of the Company no later than 72 hours before the date of the assembly's convening. The final date for providing a position paper to the Company is 10 days after the effective date.

27. **The Majority Required**

For the purpose of passing the resolutions detailed in Sections 1.1 and 1.2 above, a majority of the votes of those present is required, provided that one of the following occurs:

- A. The majority votes in the general assembly will include a majority of all of the shareholder voters who are not controlling shareholders in the Company or who have a personal interest in the approval of the remuneration policy, participating in the vote; abstaining votes will not be taken into account in the said total number of votes of the shareholders;
- B. The total votes of opposing shareholders as stated in subsection (A) shall not exceed the rate of two percent of the total voting rights of the Company.

For the purpose of approval of the resolutions detailed in Sections 1.3, 1.4 and 1.5 above, a majority of the votes of those present is required, provided that one of the following will occur:

- C. The number of majority voters in the general assembly includes a majority of all of the shareholder voters who are not controlling shareholders of the Company or have a personal interest in the approval of the resolution, participating in the vote; abstaining votes will not be taken into account in the said total number of votes of the shareholders;
- D. The total votes of opposing shareholders as stated in subsection (A) shall not exceed the rate of two percent from the total voting rights of the Company.

Notwithstanding the above in subsections (C) and (D), in relation to the approval of Ms. Kfir's terms of office, the Company's Board of Directors is entitled to approve her terms of office even if the general assembly has opposed approval thereof, provided that the Remuneration Committee and thereafter the Board of Directors have resolved, based on detailed explanations and after again discussing Ms. Kfir's terms of office, that the approval of the

terms of her office, notwithstanding the opposition of the general assembly, are for the benefit of the Company.

28. **The Effective Date**

The effective date for determining entitlement of a shareholder to the right to vote in the general assembly is the **8th of December, 2013**.

29. **Review of Documents**

The full text of the proposed resolutions may be reviewed at the offices of the Company's counsel – A. Abramson & Co. (with Adv. Rafi Shapiro), 2 Beitar St., Jerusalem, Sunday through Thursday during customary business hours, and thereafter with prior coordination via telephone: 02:5654000, until the convening date of the general assembly.

Sincerely,

HBL – Hadasit Bio-Holdings Ltd.

**Appendix A – Additional Details Regarding the Designated
Director – Prof. Yaakov Naparstek**

Prof. Yaakov Naparstek:

ID Number	001371269
Date of Birth	9/27/1948
Address for service of court pleadings	Hadassah Ein Kerem Hospital, POB 12000, 91120
Citizenship	Israeli
Membership in committee of the committees of the Board	No
Independent director	No
Outside director	No
Accounting or financial expertise or professional training	No
Employee of the Corporation, subsidiary, affiliate company or interested party	Serves as a director and as CSO of ProTab Ltd. (portfolio company of the Company)
Serving as director as of	--
Education	MD – 1972; Full Professor in the Hebrew University – 1993;
Employment over the past five years	Manager of the Internal Department – Hadassah Hospital in Jerusalem; Deputy Director General of Hadassah for Research and Academia – Hadassah Hospital in Jerusalem
Serves as a director in the following companies	Hadasit Medical Research and Development Services Ltd. (controlling shareholder in the Company)
Relative to another interested party in the Company	No

Appendix B – Additional Details Regarding the Designated Director –

Mr. Yigal Erlich

Mr. Yigal Erlich:

ID Number	008261901
Date of Birth	6/8/1940
Address for service of court pleadings	21 Dolzin St., Tel Aviv
Citizenship	Israeli
Membership in committee of the committees of the Board	No
Independent director	No
Outside director	No
Accounting or financial expertise or professional training	Yes
Employee of the Corporation, subsidiary, affiliate company or interested party	Chairman of the Board of Directors of Hadasit Medical Research and Development Services Ltd.
Serving as director as of	--
Education	Master's Degree in Chemistry and Business Administration
Employment over the past five years	Investments in high-tech companies and consulting services
Serves as a director in the following companies	Hadasit Medical Research and Development Services Ltd.
Relative to another interested party in the Company	No

Appendix C – Terms of Office – New CEO (Ms. Tamar Kfir)

Monthly salary (gross)	NIS 45,000; Upon the completion of a round of at least USD 5 million – the monthly salary will increase to NIS 50,000; Upon the completion of a round of at least USD 10 million – the monthly salary will increase to NIS 55,000;
Additional terms	The payment of social terms; advanced study fund; manager's insurance – pursuant to the Company's remuneration policy.
Annual bonus	An annual bonus will be paid pursuant to the Company's approved remuneration policy. Until significant capital is raised for the Company, the CEO will be entitled to an annual bonus determined at the sole discretion of the Remuneration Committee and Board of Directors of the Company, of up to 3 monthly salaries. After significant capital is raised for the Company, the annual bonus may reach up to 6 monthly salaries. No social terms or additional payments whatsoever will be added to the annual bonus. The policy of the bonus payment to the CEO will be determined such that 60% will be subject to the achievement of measurable goals as described in the plan, and 40% to unmeasurable goals, including the satisfaction from her employment. For the avoidance of doubt it is clarified that the payment of the bonus and its amount shall be up to the sole discretion of the Remuneration Committee and the Company's Board of Directors.
Capital compensation (non-tradable options)	Upon adopting the option plan for the Company, the CEO will be allocated 1,000,000 options (non-tradable); the exercise price will be the average of the 30 trading days prior to the signing of the employment agreement; the vesting period will be four years and will be spread over 4 annual parts.
Annual vacation and maximal accrual	23 annual vacation days and maximal accrual of 46 vacation days.
Accompanying terms	Vehicle (Class 4); cellular phone; laptop computer for work; per diem expenses pursuant to Company policy.
Miscellaneous	Prior notice (of dismissal or resignation) – 90 days in advance.

Appendix D – Declarations of Directors