Companies Law 5759-1999

Part I: Interpretation

1.

In this Law -

"absorbed company" - one or more companies intended to merge with a surviving company in such a manner as to bring about the extinction of the absorbed company;

"act" - a legal act, be it an action or an omission;

"address" -

(1) in respect of an individual who is a resident of Israel - his address as registered in the Population Registry, and if he gives any other address, that other address;

(2) in respect of an individual who is not a resident of Israel -the address of his residence and if he gives any other address, that other address;

(3) in respect of a company registered in Israel - the address of its registered office;

(4) in respect of a company registered outside Israel - the address of its office outside Israel and if it gives an address in Israel, the address so given;

(5) in respect of any other corporate body with an address registered by law - its registered address;

"annual meeting" - a meeting of shareholders under section 60;

"articles of association" - the articles of association of a company as first filed with the Registrar upon its incorporation or as altered under law;

"auditor" - an accountant appointed to perform acts of audit as provided in section 154;

"bonus shares" - shares allotted by a company for no consideration to shareholders entitled thereto;

"control block" - shares conferring twenty-five percent or more of the voting rights at the general meeting;

"certificate of incorporation" - a certificate signed by the Registrar evidencing the registration of a company;

"class meeting" - a meeting of shareholders of a class of shares;

"Companies Ordinance" - the Companies Ordinance [New Version] 5743-19831;

"control" - as defined in the Securities Law;

"counting of votes" - counting of the votes of voters in accordance with the voting rights laid down for the shares by virtue of which the shareholders taking part in a meeting exercise their

votes;

"the court" - the District Court;

"date of incorporation" - the date determined by the Registrar as the date of incorporation of a company in the certificate of incorporation;

"debenture" - a document issued by a company evidencing the existence of a monetary obligation owed by the company, and setting out the terms of such obligation, excluding promissory notes or bills of exchange given to a company during the course of its business;

"derivative action" - action filed by a plaintiff on behalf of a company based on the company's cause of action;

"director" - a member of the board of directors of the company and a person actually serving in the position of director, whatever his title may be;

"distribution" - the grant of a dividend or an undertaking so to grant, directly or indirectly, as well as purchase; for this purpose, "purchase" - the purchase or grant of funding for the purchase, directly or indirectly, by a company or by its subsidiary or by any other corporate body controlled by it, of shares in the company or of securities convertible to shares in the company or capable of realization for shares in the company, including undertakings to do any of the above;

"dividend" - any asset given by the company to a shareholder by virtue of his right as a shareholder, whether in cash or in any other manner, including transfer otherwise than for valuable consideration, but excluding bonus shares;

"extraordinary meeting" - a general meeting of shareholders that is not an annual meeting;

"extraordinary transaction" - a transaction not in a company's ordinary course of business, a transaction that is not undertaken in market conditions or a transaction that is likely substantially to influence the profitability of a company, its property or liabilities;

"floating charge" - as defined in the Companies Ordinance;

"foreign company" - a company registered outside Israel and any body of persons, other than a partnership, registered or incorporated outside Israel;

"general meeting" - an annual meeting or an extraordinary meeting of shareholders;

"holding" and "purchase" - as defined in the Securities Law;

"identity number" -

(1) in respect of a company registered in Israel - its registration number;

(2) in respect of a company registered outside Israel - the State in which it is registered and its registration number, should it have one;

(3) in respect of any other corporate body that has a registration number under any law - its registration number;

(4) in respect of an individual who is a resident of Israel - his identity number as registered

in the population registry;

(5) in respect of an individual who is not a resident of Israel - the State in which his passport was issued and the passport number;

"index" - the consumer price index published by the Central Bureau of Statistics;

"interested party" - a substantial shareholder, a person with authority to appoint one or more directors or the general manager, and a person acting as director or general manager of a company;

"means of control" - any of the following:

(1) the right to vote at a general meeting of a company;

(2) the right to appoint a director of a company;

"member of a stock exchange" - a person who is the member of a stock exchange in accordance with the stock exchange rules as defined in section 46 of the Securities Law;

"memorandum" - as defined in the Companies Ordinance, in its version immediately prior to the coming into force of this Law;

"merger", for the purposes of Part VIII - the transfer of all assets and liabilities, including conditional, future, known and unknown debts of an absorbed company to a surviving company, as a result of which the absorbed company is absorbed, in accordance with section 323;

"merging company" - an absorbed company and a surviving company;

"the Minister" - the Minister of Justice.

"nominee company" - as defined in the Securities Law;

"offeree", in a tender offer - a shareholder whose shares are the subject of a tender offer;

"offeror", in a tender offer - a person making a tender offer

"office holder" - a director, general manager, chief business manager, deputy general manager, vice-general manager, any person filling any of these positions in a company even if he holds a different title, and any other manager directly subordinate to the general manager;

"outside director" - as defined in Part VI, Chapter 1, Article E;

"personal interest" - a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company;

"pledge" - as defined in the Pledges Law 5727-19672, as well as a floating charge;

"premium" - the amount by which the consideration for allotment of shares in the company exceeds the nominal value of the shares;

"presence of a shareholder", at a general meeting - the presence of a shareholder himself or by

proxy, or by a voting paper under section 87;

"private company" - a company that is not a public company;

"private placement" - an offer for the issue of securities of a public company that is not an offer to the public;

"promoter" - a person who performs an act in the name or in place of a company that has not yet been incorporated;

"public company" - a company whose shares are listed for trading on a stock exchange, or have been offered to the public pursuant to a prospectus as defined in the Securities Law, and are held by the public;

"Registrar of Companies" or "Registrar" the Registrar of Companies as provided in section 36

"registration company" - as defined in the Securities Law

"related company" - as defined in the Securities Law;

"relative" - spouse, sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

"secured debenture" - a debenture under which a company's obligations is secured by a pledge over the company's assets, in whole or in part;

"Securities Authority" - the authority as defined in the Securities Law;

"Securities Law" - the Securities Law 5728-19683;

"security" - including a share, debenture, or rights to purchase, convert or sell any of these, whether registered under a person's name or for bearer;

"series of debentures" - two or more debentures of equal status with regard to monetary obligation and the securing of payment;

"share" - a bundle of rights in a company laid down by law and in the articles of association;

"share certificate" - a certificate stating the name of the owner registered in the company's registers together with the number of shares owned by him;

"share warrant" - a document stating that the holder thereof is the owner of a bearer share;

"stock exchange" - a stock exchange in Israel and any stock exchange outside of Israel approved by a person authorized to grant such approval to such under the law of the State in which it operates;

"stock exchange in Israel" - a stock exchange licensed under the Securities Law;

"subsidiary" - as defined in the Securities Law;

"substantial act" - an act likely substantially to influence the profitability of a company, its assets or liabilities;

"substantial private placement" - a private placement in respect of which the provisions of section 270(5) apply;

"surviving company" - a company to which all of the assets and liabilities of an absorbed company are transferred in a merger;

"target company" - a company to whose shareholders a tender offer is made;

"tender offer" - an offer to purchase shares, made to all the shareholders of the company;

"transaction" - a contract or agreement as well as a unilateral decision on the part of a company in respect of the grant of a right or other benefit;

Part II: Foundation of a Company

Chapter 1: Incorporation

Article A: Right of Incorporation

The right to 2. Any person may found a company, provided that none of the incorporate purposes of the company is illegal, is immoral or contrary to public policy.

3.

A company can have a single shareholder.

Article B: Legal Personality

4.

A company shall be a legal personality having capacity for any duty or act consistent with its character and nature as an incorporated body.

5.

A company shall exist from the date of its incorporation as set out in its certificate of incorporation, until its incorporation is ended upon its dissolution.

6.

(a) Lifting the corporate veil shall take place in any one of thefollowing ways:

(1) attribution of rights and obligations of the company to one of its shareholders;

(2) attribution of qualities, rights or obligations of a shareholder to the company.

(b) Notwithstanding the provisions of section 4, the court may lift the corporate veil if a condition relating thereto is prescribed under any enactment, or if it is just and right in the circumstances of the case to do so, or if the conditions prescribed in subsection (c) prevail:

(c) The court hearing a proceeding against a company may, in exceptional cases and for special reasons, lift the corporate veil if any one of the following conditions prevails:

(1) the use of the separate legal personality of the company is intended to frustrate the intent of any law or to defraud or discriminate against any person;

(2) in the circumstances of the case, it is just and right to do so, taking into account the

fact that there was a reasonable basis for presuming that the management of the company's affairs was not in the company's best interest and that it involved the taking of an unreasonable risk in respect of the company's ability to pay its debts.

(d) The lifting of the veil in order to attribute the debts of the company to one of its shareholders shall be effected while taking into account the company's ability to pay its debts.

(e) Nothing in the provisions of this section shall prevent a court from granting other remedies, including the suspension of the rights of a certain shareholder in the company from being paid his debt until the company fulfilled all of its other undertakings.

7.

Where the court has ordered that the debts of the company are to be attributed to one of its shareholders under the provisions of section 6(c), or to one of its office holders under the provisions of section 54(b), the court may order that during such period as it may determine, which period shall be no greater than five years, such person may not be a director or general manager of a company nor be involved, directly or indirectly, in the founding or management of a company.

Article C: Establishment and Registration of a Company

8.

A person seeking to register a company shall submit an application to the Registrar in the form prescribed by the Minister, to which shall be attached:

(1) a copy of the articles of association;

(2) a declaration by the first directors that they are willing to serve as directors, to be prescribed by the Minister.

9.

(a) A person wishing to register a company shall pay a fee (hereinafter the "registration fee") on submission of the application.

(b) A company shall pay an annual fee every year.

10.

(a) The Registrar shall register a company if he considers that all the requirements of this Law in respect of registration, and any matter that is a precondition therefor, have been fulfilled.

(b) The Registrar shall give every company a registration number, as provided in section 38(c), and shall enter it on the certificate of registration.

(c) On registration, the Registrar shall deliver to the company a certificate of registration.

(d) A certificate of registration delivered to a company shall serve as conclusive evidence that all of the requirements under this Law regarding registration, and any matter that is a condition thereof, have been fulfilled.

(e) Nothing in the provisions of subsection (d) shall remedy any fault in the articles of association or preclude the need to remedy such fault.

Article D: Purpose of Company

11.

(a) The purpose of a company shall be to operate in accordance with business considerations in realizing its profits, and within the scope of such considerations, the interests of its creditors, its employees and the public; may inter alia be taken into account; similarly, the company may donate a reasonable sum for a proper object, even if such donation is not within the scope of business considerations as aforesaid, if a provision for such is laid down in the articles of association.

(b) The provisions of subsection (a) shall not apply to a company the articles of association of which provide that it was established for public purposes only, and such articles of association prohibit the distribution of profits to shareholders.

Article E: Acts Performed by a Promoter

12.

(a) A company may approve the act of a promoter performed on behalf of or in place of the company prior to its incorporation.

(b) Approval ex post facto shall be regarded as authorization ab initio, provided that no right acquired by any other person (in this Article "a third party") bona fide for value prior to the approval, is prejudiced.

13.

(a) Where a third party knows, at the time of an act referred to in section 12, of the existence of a promotion, such party may regard the promoter as his opposite number or may withdraw from the act, and claim damages from the promoter, in any one of the following events:

(1) the company did not ratify the act within a year of the date of its being performed;

(2) the circumstances show that the company is not likely to become incorporated, provided that the third party has so notified the promoter thirty days in advance;

(3) the company did not ratify the act within thirty days of the date on which the third party so required.

(b) Where the company has ratified the act, the promoter shall not have any rights or obligations in respect of it.

(c) The promoter and the third party may contract out of the provisions of this section.

14.

Where the third party did not know of the existence of the promotion at the time of the act, the following provisions shall apply:

(1) the promoter's act shall oblige or benefit the promoter as the case may be;

(2) once a company is incorporated, it may ratify the act, provided that such ratification is not inconsistent with the essence of the act, its conditions or the circumstances of the matter; where the company ratifies an act, the promoter's act shall bind both the company and the promoter, jointly and severally, and shall benefit the company alone.

Chapter 2: Articles of Association

Article A: Contents of Articles and their Alteration

15.

Every company shall have articles of association as provided in this company

16.

The articles of association of a company as registered shall be effective from the date of its incorporation.

17.

(a) The articles of association shall be considered as a contract between the company and its shareholders, and between its shareholders themselves.

(b) Alteration of the articles of association shall be effected inthe ways provided in this Law.

18.

The articles of association of a company shall contain the following in the details:

(1) the name of the company;

(2) the objects of the company;

(3) details regarding the registered share capital, as provided in sections 33 and 34;

(4) details regarding the limitation of liability, as provided in section 35.

19.

A company may include in its articles of association matters relatingto the company or to its shareholders, including the following:

(1) the rights and duties of the shareholders and of the company;

(2) provisions regarding ways of managing the company;

(3) any other matter that the shareholders have seen fit to settle in the articles of association.

20.

(a) A company may alter its articles of association by a resolution passed by an ordinary majority at the general meeting of the company, unless the articles of association provide that a different majority is required, or if a resolution is passed in accordance with section 22.

(b) Where there is a provision in this Law which may be contracted out of, or where there is a provision in the articles of association stating that a particular majority is required for the alteration of some or all of the provisions thereof, the company shall only be allowed to alter such provision by resolution passed at the general meeting with the same particular majority or proposed majority, whichever is the greater.

(c) Where the shares of the company are divided into classes, no alteration shall be made to the articles of association that will affect the rights of any class of shares without the approval of a meeting of such class, unless otherwise provided in the articles of association; the provisions of subsections (a) and (b) shall apply mutatis mutandis to the passing of decisions in the meeting of the class.(d) Notwithstanding the provisions of this section, an alteration of the articles of association requiring a shareholder to purchase further shares or to increase the scope of his liability shall not bind the shareholder without his consent.

21.

(a) The alteration of the articles of association, other than alterations under section 40, shall be valid from the date of passing the resolution in respect thereof by the company, or on such later date as may be fixed by the company by resolution.

(b) A company that has passed a resolution to alter its articles of association shall deliver the wording of the resolution to the Registrar, within fourteen days of the resolution.

22.

(a) A company may by contract limit its power to amend the articles of association, or provisions of it if a resolution to that effect is passed by the general meeting, by the majority required for the alteration of the articles of association.

(b) A resolution passed as aforesaid in subsection (a) shall be treated as a resolution to alter the articles of association and the provisions of this Article shall apply thereto.

23.

(a) The articles of association shall be signed by the first shareholders and the shares allotted to them shall be noted therein, as shall be the name, address and identity number of each such shareholder.

(b) An advocate shall verify the identity of the signatories to the articles of association by his signature on the articles of association.

24.

A company incorporated prior to the commencement of this Lawmay:

(1) alter the provisions laid down in its memorandum in themanner and subject to the conditions provided therefor inthe Companies Ordinance as it stood immediately prior tothe commencement of this Law, subject to the provisions ofparagraph (5);

(2) alter its memorandum or rescind it in the manner prescribedin section 350(a), (i), (j), (k) and (l);

(3) alter the provisions laid down in its articles of association ina resolution passed at a general meeting by a majority ofseventy-five percent of those present, or by such othermajority as may be prescribed in the memorandum of thecompany or in its articles of association;

(4) lay down in its articles of association, subject to theprovisions of section 20(b), a provision regarding themajority required to alter the provisions of the articles ofassociation, in a resolution made by a majority of seventy-five percent of those present at the general meeting, and bya larger majority if such is laid down in the memorandum ofthe company or in its articles of association; where such a new provision is laid down, the provisions of section 20(b)shall apply to its alteration;

(5) prescribe in its memorandum, by resolution passed at thegeneral meeting by a majority of seventy five percent ofthose present, a provision relating to the alteration of themajority required to alter provisions in the memorandumthat the general meeting is authorized to alter; theprovisions of section 20(b) shall apply in this regard,mutatis mutandis.

Article B: Name of the Company

25.

A company may be registered with any name, subject to the provisions provisions of this Article,

and the provisions of any law.

26.

The name of a company whose shareholders' liability is limited, asprovided in section 35, shall include the notation "Limited" or"Ltd." at the end of it.

27.

(a) A company shall not be registered with a name that is:

(1)the name of a corporation lawfully registered inIsrael, or so similar thereto as to be misleading;

(2)a registered trade mark in respect of goods orservices dealt with for purposes similar to those ofthe company seeking to be registered, or a name sosimilar to it as to be misleading, unless it is provedto the Registrar that the owner of the trade mark hasagreed thereto in writing; for this purpose, "aregistered trade mark" shall have the meaningattributed to it in the Trade Marks Ordinance [NewVersion], 5732-19724.

(b)Without derogating from the provisions of subsection (a), acompany shall not be registered with a name which, in theRegistrar's opinion, might be deceptive or misleading.

28.

A company shall not be registered with a name that, in theRegistrar's opinion, might be contrary to public policy or to publicsensitivity.

29.

(a) Where a company has been registered with a name that isnot permitted under this Article, the Registrar may require the company to change its name.

(b)Where the company has not provided the Registrar withnotice of a resolution to change its name within four monthsfrom the date of the requirement set out in subsection (a),the Registrar may change the name of the company to suchname as he may choose.

(c) Where the Registrar decides to change the name of thecompany, he shall send the company a certificate of changeof name, and the change shall be considered to have beenmade in accordance with a resolution of the company andthe Registrar.

(d) The Minister may lay down provisions regarding thepublication of a change of name.

30.

The court may, on the application of the company, order any persontaking the company's name or a name so similar to it as to mislead,or, on the application of any person harmed by the registration of acompany with a name contravening the provisions of section 27,order the company, to cease using the name, unless the court isconvinced that the defendant's right to use the name takes precedence over the applicant's right.

31.

(a) A company may, with the approval of the Registrar, changeits name, and the provisions of sections 25 to 30 shall apply,mutatis mutandis, to the resolution to change the name andto the requested name.

(b) Where the Registrar has approved the change of name bythe company, the Registrar shall register the new name inplace of the previous name, and shall give the company acertificate of change of name.

Article C: Objects of the Company

32.

A company shall indicate its objects in its articles of association by specifying one of the following objects:

(1) engaging in any lawful business;

(2) engaging in any lawful business apart from the types ofbusiness set out in the articles of association;

(3) engaging in the types of business specified in the articles ofassociation.

Article D: Registered Share Capital and Distribution Thereof

33.

The company shall determine its registered share capital, includingthe number of shares of each class, in its articles of association.

34.

(a) Shares in the company may all be of nominal value or mayall be without nominal value.

(b) Where the shares in the company have no nominal value, their number alone shall be set out in the articles ofassociation; where the shares in the company are of nominalvalue, the nominal value of each share shall be noted in thearticles of association in addition to their number.

(c) Where the shares in the company have no nominal value, the provisions of this Law in respect of registered or issuedshare capital shall apply, mutatis mutandis, such that theregistered share capital shall be the number of shares set outin the articles of association, and the issued capital shall bethe number of shares allotted by the company.

Article E: Limitation of Liability

35.

(a) The liability of shareholders for the debts of the companymay be unlimited, and this shall be stated in the articles ofassociation; where the liability of the shareholders islimited, the manner of limitation shall be set out in thearticles of association.

(b) Where the shares in the company are of nominal value, theshareholders shall be liable to pay at least the nominal valueof the shares, unless the provisions of section 304 apply.

Chapter 3: The Registrar of Companies

Article A: The Companies Registry

36.

(a) The Minister shall appoint a civil servant, qualified to serveas a magistrate, to be the Registrar of Companies, and suchperson shall be in charge of the Companies Registry.

(b)The Minister may appoint a government civil servant to beDeputy to the Registrar of Companies, and may authorizesuch person to exercise the powers of the Registrar.

(c)Where the Registrar is precluded from fulfilling his duties,the Minister may authorize an employee of the Ministry ofJustice to exercise all or any of the powers of the Registrar.

37.

(a)The Registrar shall determine whether the conditions andrequirements laid down in this Law in respect of thefollowing have been fulfilled:

(1)incorporation of a company;

(2)change of name of a company;

(3)registration of a document;

(4)merger.

(b)The Registrar may, in order to ensure that the company isfulfilling its obligations under this Law, order it to producefor his inspection the registers and books that a companymust keep and that are available for public inspection, orupdated copies of such, within a period of no less thanfourteen days from the date of demand.

(c)Where the Registrar is of the opinion that the said registersor books are not up-to-date, he may order the company toupdate them within such period as he shall prescribe.

Article B: Keeping of Registers

38.

(a)The Registrar shall keep a register relating to everycompany and shall receive documents and reports forregistration or filing in the company's files, as shall be prescribed by the Minister.

(b)The Minister may order that the delivery of documents andreports, registration or filing in company files, shall beeffected by way of electronic communication only (hereinafter "electronic filing or reporting").

(c)The Registrar shall keep a register of companies in whichevery company shall be entered and shall give eachcompany an identification number, and the Registrar may use a different type of numbering for different kinds ofcompanies, as prescribed by the Minister.

39.

(a) Every document or report that is to be submitted to theRegistrar shall bear the company's identification number, and shall be signed by one of the office holders of thecompany, together with such person's name and position, as confirmation of the fact that the details in it are correct andcomplete; for the purposes of this section, "office holder ofthe company" shall include the company secretary or anyperson authorized by the company for the purposes of thissection.

(b)Despite the provisions of subsection (a), a document orreport submitted from a company in receivership orliquidation may be signed by the receiver or liquidator.

(c)The provisions of this section shall apply in the absence ofany different provision in this regard in any law.

(d)Where the Minister has made a provision regardingelectronic reporting, he may prescribe that the provisions ofsubsection (a) regarding the signature of an office holdershall not apply to documents and reports submitted in suchway.

40.

The following acts of the company shall have no effect unless registered:

(1) a change in the company's name pursuant to the provisions of section 31;

(2) a change in the objects of the company.

41.

(a) A copy of any document held by or registered with theRegistrar and certified by him shall be admissible in anylegal proceeding as evidence, the evidentiary value of whichshall be identical with that of the original document, andshall constitute conclusive evidence of the fact that theoriginal document is in the Companies Registry.

(b) Where the Minister has made orders relating to electronicfiling, the provisions of subsection (a) shall apply to theprintout of such reports; for the purposes of this section, "printout" shall have the meaning ascribed to it in theComputers Law, 5755-19955 .

42.

The registration or existence of a document at a company or withthe Registrar shall not, as such, constitute evidence as to theknowledge of its contents.

43.

The registers kept by the Registrar in the Companies Registry shallbe open for public inspection and any person may inspect them andreceive certified copies of their contents, either through theRegistrar himself or others authorized by the Registrar for suchpurpose, as prescribed by the Minister.

44.

The Minister may prescribe the following:

(1)arrangements for registration and filing and the manner ofsubmitting documents and reports for registration and filingas aforesaid, including electronic filing or reporting;

(2)the manner of keeping registers at the companies registry,and the public inspection thereof;

(3)the forms which must be used for the purposes of this Law,and the details to be included therein, including the mannerof transferring information by electronic reporting;

(4)the manner of carrying out the Registrar's obligations underthis Law;

(5)details with which a company or a foreign company mustprovide the Registrar in respect of every shareholder, orother holder of rights, and in respect of a creditor or anyoffice holder of the company;

(6)amounts that the Minister may prescribe for registrationfees, annual fees, and other fees and impositions payable foracts and services that the Registrar provides under this Law;and the Minister may determine the amount of different feesand payments for different companies according to suchcriteria as he shall prescribe.

Article C: Appeal

45.

(a) A person who feels aggrieved by a decision of the Registrarmay appeal against such decision to the court.

(b) The Minister may make regulations regarding the legalprocedures for the appeal.

Part III: Structure of the Company

Chapter 1: Organs of the Company, their Powers and the Liability for their Acts

Article A: Organs

46.

The company's organs are the general meeting, the board ofdirectors, the general manager and any person whose acts in anygiven matter are considered by law or by virtue of the articles ofassociation to be the acts of the company with regard to the matterconcerned.

47.

The acts and intentions of an organ shall be the acts and intentions of the company. company

Article B: Division of Powers Among Principal Organs

48.

(a) The general meeting shall have the powers specified inArticle A of Chapter 2.

(b) The board of directors shall have the powers specified inArticle A of Chapter 3.

(c) The general manager shall have the powers specified inChapter 4.

(d) All organs of the company shall have all auxiliary powersrequired to exercise their powers.

49.

The board of directors may exercise any power of the company notgranted to any other organ by law or by the articles of association.

50.

(a) A company may prescribe provisions in its articles ofassociation to the effect that the general meeting mayassume powers conferred on another organ and that thepowers granted to the general manager be transferred to theboard of directors, for any particular matter or period oftime.

(b) Where the general meeting has assumed powers conferredby this Law on the board of directors, the shareholders shallbe liable and bound by the liability and duties of directorsregarding the exercise of such powers, mutatis mutandis, taking into consideration their holdings in the company, their participation in the general meeting and the manner inwhich they voted.

51.

The board of directors may instruct the general manager how to actin a given matter; where the general manager has not fulfilled suchinstruction, the board of directors may exercise the power requiredto fulfill the instruction in his stead, even if there is no provision forsuch in the

articles of association.

52.

(a) Where a board of directors is precluded from exercising itspowers, and the exercise of one of its powers is essential for the proper management of the company, the general meetingmay exercise it in place of the board of directors, even if
there is no provision for such in the articles of association,for so long as the board of directors is so precluded, andprovided that the general meeting has determined that theboard of directors is indeed precluded from so acting and that the exercise of the power is essential; the provisions ofsection 50(b) shall apply to the exercise of the powers of theboard of directors by the general meeting.

(b)Where the general manager is precluded from exercising hispowers, the board of directors may exercise them in hisplace, even if there is no provision for such in the articles ofassociation.

Article C: Liability of Company for Acts of Organs

53.

(a) The company shall be directly liable in tort for any civilwrong committed by one of its organs.

(b)Nothing in the provisions of subsection (a) shall derogatefrom the company's vicarious liability in tort under any law.

Article D: Liability of Individuals in an Organ

54.

(a) Attribution of an act or intention of an organ to a companyshall not derogate from the personal liability that individualsin such organ would have borne but for such attribution.

(b) In addition to the provisions of section 6, the court mayattribute the rights and obligations of a company toindividuals in various organs if the conditions prescribed forlifting the veil in section 6(c) have been fulfilled, mutatismutandis, or if a condition prescribed in any enactment forattributing rights and obligations as aforesaid has beenfulfilled.

Article E: Avoidance of Unauthorized Acts

55.

(a) A company, or anyone acting on behalf of a company, shallnot perform any act that constitutes a departure from theobjects laid down in the articles of association and shall notperform an unauthorized act or an act that goes beyond any authorization.

(b) Where an act under subsection (a) has been performed, orwhere there is reason to presume that such an act is about tobe performed, the court may, at the request of the company,a shareholder, or a creditor of the company in respect ofwhom there is an apprehension that his rights may beprejudiced, grant an order interrupting or preventing the act.

56.

(a) An act performed for a company which departs from theobjects laid down in its articles of association, or performedwithout authorization, or beyond such authorization, shallbe invalid in respect of the company, unless the company approved the act in the ways prescribed in subsection (b), orif the party in respect of whom the act was performed didnot know and was not expected to have known of the departure or of the lack of authorization.

(b) Ex post facto confirmation by a company of an act whichdeparts from the objects prescribed by its articles ofassociation shall be granted by the general meeting; suchconfirmation relating to an unauthorized act or an act whichdeparts from a given authorization shall be granted by theorgan empowered to issue such authorization.

(c) Confirmation referred to in subsection (b) shall notprejudice any right acquired by another person bona fide forvalue prior to grant of the confirmation.

Chapter 2: The General Meeting

Article A: Powers of the General Meeting

57.

Resolutions of the company in respect of the following matters shallbe passed by the general meeting:

(1) alterations in the articles of association as referred to insection 20;

(2) exercise of the powers of the board of directors inaccordance with the provisions of section 52(a);

(3) appointment of the company's auditor, his conditions ofemployment and termination of his employment inaccordance with the provisions of sections 154 to 167;

(4) appointment of outside directors in accordance with theprovisions of section 239;

(5) confirmation of acts and transactions requiring confirmationof the general meeting under the provisions of sections 255and 268 to 275;

(6) increase and reduction of the registered share capital of thecompany in accordance with the provisions of sections 286and 287;

(7) merger referred to in section 320(a).

58.

(a) A company may not contract out of the provisions of section57.

(b) A company may add matters to its articles of association,where resolutions in that respect shall have been passed bythe general meeting; however, the transfer of powers in thearticles of association to the general meeting, in respect of matters where power was conferred on another organ in thisLaw without any possibility of contracting out in respect ofsuch matters in the articles of association, shall be effectedin accordance with the provisions of section 50.

59.

The annual general meeting shall appoint the directors, unlessprovided otherwise in the articles of association.

Article B: Annual General Meeting and Special General Meeting

60.

(a) A company shall hold an annual general meeting every yearno later than on the expiry of fifteen months from theprevious annual general meeting.

(b) The agenda at the annual general meeting shall include adiscussion of the financial reports

and of the report of theboard of directors pursuant to the provisions of section 173;the agenda may include appointment of directors, appointment of an auditor and any matter prescribed in thearticles of association for discussion at the annual generalmeeting, or any other matter prescribed for the agenda asprovided in section 66.

61.

(a) A private company may provide in its articles of associationthat it is not required to have an annual general meeting asprovided in section 60, except to the extent that such isrequired for appointing an auditor; where such a provision
is laid down, the company shall not be required to hold anannual general meeting unless one of the shareholders ordirectors requires the company to hold it.

(b) Where no annual general meeting is held, the company shallonce a year send the shareholders entered on theshareholders register financial reports as referred to in section 172, no later than the final date on which it wouldhave had to hold an annual general meeting but for theexistence of a provision in its articles of associationpursuant to subsection (a).

62.

(a) Where no annual general meeting is held as provided insection 60, or once a demand has been made that it be heldin accordance with section 61, the court may, at the requestof a shareholder or director of the company, order theconvening of the annual general meeting.

(b) Where the court has ordered as aforesaid, the company shallbear the reasonable costs incurred by the applicant in courtproceedings, as fixed by the court, and the directorsresponsible for the non-convention of the general meetingshall be responsible for refunding such costs to thecompany.

63.

(a) The board of directors of a private company may resolve toconvene a special general meeting, and shall so convene at meeting the demand of any one of the following:

(1) one director;

(2) one or more shareholders holding at least ten percent of the issued capital and at least one percent of the voting rights in the company, or one or more shareholders with at least ten percent of the voting rights in the company.

(b) The board of directors of a public company may resolve to convene a special general meeting, and shall so convene at the demand of any of the following:

(1) two directors or one-quarter of the directors in office;

(2) one or more shareholders with at least five percentof the issued share capital and at least one percent of the voting rights in the company, or one or more

shareholders with at least five percent of the voting rights in the company.

(c) Where a board of directors is requested to convene a special general meeting, it shall convene such meeting within twenty-one days of the date on which the request was made, on the date designated in an invitation pursuant to section 67 or by a notice pursuant to section 69, provided that in respect of a public company, the date of convening the meeting shall be no later than thirty-five days after the date of the notice, unless otherwise provided in respect of a meeting to which Article G applies, and in respect of a private company the provisions of section 67 shall apply.

64.

(a) Where the board of directors has not convened a special general meeting demanded under section 63, the party demanding the convening of the meeting, and, in the case of shareholders, that portion of them that has more than half of their voting rights, may convene the meeting themselves, provided that the meeting shall not take place more than three months after the said demand is submitted, and that it is convened, if possible, in the same manner as meetings are convened by the board of directors.

(b)Where a general meeting is convened as provided in subsection (a), the company shall cover the reasonable costs incurred by the party demanding the convening of the meeting, and the directors responsible for the nonconvening of the meeting shall be responsible for repaying such costs to the company.

65.

(a)Where the board of directors has not convened a special general meeting in accordance with a demand pursuant to section 63, the court may order the convening of such ameeting, at the request of a person making a demand for such.

(b)Where the court has ordered as aforesaid, the company shall bear reasonable costs incurred by the applicant in court proceedings, as set by the court, and the directors responsible for the non-convening of the meeting shall be responsible for repaying such costs to the company.

Article C: Convening and Direction of General Meeting

66.

(a)The agenda at a general meeting shall be fixed by the boardof directors and may also include matters in respect ofwhich the convening of a special meeting is required undersection 63 as well as any matter requested as provided in subsection (b).

(b)One or more shareholders with at least one percent of thevoting rights at the general meeting may request that theboard of directors include a matter in the agenda of ageneral meeting to be convened in the future, provided that it is appropriate to discuss such a matter in the generalmeeting.

(c)Only resolutions regarding matters set out in the agendamay be passed by the general meeting.

67.

An invitation to a general meeting of a private company shall befor delivered to any person who is entitled to take part in the meeting, no later than seven days prior to the date of convening of themeeting, provided that such invitation shall not be delivered morethan forty five days prior to the date of convening of the meeting, ifnot otherwise provided in the articles of association.

68.

(a) An invitation to a general meeting of a private companyshall set out the date and place in which the meeting is to beheld, and the agenda and a reasonably detailed statement ofthe matters for discussion.

(b)Where a proposal to alter the articles of association is on theagenda of a general meeting, the text of the proposedalteration shall be set out in detail.

69.

(a) Notice of a general meeting of a public company shall bepublished as prescribed by the Minister.

(b) Notice of a general meeting of a public company shall bedelivered to every shareholder on the register ofshareholders at least twenty-one days prior to its beingconvened, unless the articles of association prescribe that nonotice is to be delivered.

(c) The notice shall set out the agenda, proposed resolutionsand arrangements regarding voting by writing pursuant tothe provisions of Article G.

(d) The Minister may make provisions, after consultation withthe Securities Authority, in matters relating to this sectionincluding the manner of detailing subjects, unless there areprovisions in this regard in another law.

70.

The Minister may prescribe that where the text of resolutions areout specified an invitation or in a notice, the general meeting maypass resolutions that are differ in their wording from that ofresolutions that were on the agenda, in respect of matters andaccording to such criteria as the Minister may prescribe.

71.

A shareholder in a public company desirous of voting at a general meeting shall produce proof to the company of his ownership of the share in such manner prescribed by the Minister.

72.

Where it is practicably impossible to convene a meeting or directone in the manner prescribed in the articles of association or in thisLaw, the court may, at the request of the company, a shareholderentitled to vote at the meeting, or a director, order the meeting to beconvened and directed in the manner that the court shall prescribe,and the court may make such supplementary provisions as it shallsee fit.

73.

A public company whose shares have been offered to the public inIsrael only or that are traded on a stock exchange in Israel only shallhold its general meeting in Israel.

74.

(a) A general meeting with a quorum present may resolve toadjourn the meeting to such other time and place as it maydetermine; only matters that were on the agenda and inrespect of which no resolution was passed shall bediscussed at the adjourned meeting.

(b) Where a general meeting is adjourned for more than twentyone days, notices and invitations for the adjourned meetingshall be given in accordance with sections 67 to 69.

75.

The provisions of this Article, and of Articles D, E and F shallapply, mutatis mutandis, to class meetings, wherever the company isrequired to hold such.

Article D: General Meeting of a Private Company

76.

A resolution may be passed by a general meeting of a privatecompany without invitation and without convening the meeting, provided that such resolution is passed unanimously by allshareholders entitled to vote at the general meeting.

77.

A private company may hold a general meeting using any means ofcommunication such that all shareholders participating in themeeting can hear each other simultaneously, unless

otherwiseprovided in the articles of association.

Article H: Quorum at General Meeting and Chairman of General Meeting

78.

(a) The quorum for holding a general meeting shall be at leasttwo shareholders holding at least twenty-five percent of thevoting rights, within half an hour of the time fixed for thecommencement of the meeting.

(b) Where there is no quorum present at the general meeting atthe end of half an hour from the time fixed for thecommencement of the meeting, the meeting shall beadjourned for one week, to be held on the same day, at thesame time and in the same place, or for a later time ifindicated in the invitation to the meeting or in the notice ofthe meeting.

(c) The provisions of this article shall not apply to a companywith only one shareholder.

79.

(a) Where there is no quorum present at an adjourned meetingunder sections 74 or 78(b) at the end of half an hour afterthe time fixed for the meeting, the meeting shall take placewith whatever number of participants who are present.

(b) Notwithstanding the provisions of subsection (a), where ageneral meeting is convened on the demand of shareholdersas provided in sections 63 or 64, the adjourned meetingshall only take place only if there were present at least the number of shareholders required to convene a meeting asprovided in section 63.

80.

(a) A chairman shall be elected at every general meeting forthat meeting.

(b) The election of the chairman of the meeting shall beeffected at the commencement of deliberations at themeeting, which shall be opened by the chairman of theboard of directors, or by a director authorized by the boardof directors for that purpose.

81.

It shall be permissible to contract out of the provisions of thisArticle in whole or in part, by provision in the articles ofassociation.

Article F: Voting at General Meeting

82.

(a) A company may prescribe various voting rights for differentclasses of shares in its articles of association.

(b) The provision of subsection (a) shall not derogate from theprovisions of any other enactment.

(c)Where the company has not set out any other voting rightsin its articles of association, each share shall have one vote.

83.

(a) A shareholder in a public company may vote by himself orby a proxy, as well as by way of a voting paper underArticle G.

(b)A shareholder in a private company may vote by himself orby proxy, unless otherwise provided in the articles ofassociation.

(c)A shareholder in a private company may vote by votingpaper if there are provisions to that effect in its articles ofassociation.

84.

A resolution at a general meeting shall be passed by counting ofvotes; a private company may prescribe different rules for decisionmaking in its articles of association.

85.

Resolutions of the general meeting shall be passed by ordinarymajority unless some other majority is prescribed by statute or inthe articles of association.

86.

A declaration by the chairman to the effect that a resolution at ageneral meeting has been passed or rejected, be it unanimously orby any given majority, shall be prima facie evidence of the contentsof such declaration.

Article G: Voting by Voting Paper and Statement of Position

87.

(a) In a public company, shareholders may vote in the generalmeeting and in a class meeting by means of a voting paperin which the shareholder indicates how he votes onresolutions relating to the following matters:

(1)appointment and removal of directors;

(2)approval acts or transactions requiring the approvalof the general meeting pursuant to the provisions ofsections 255 and 268 to 275;

(3)approval of a merger pursuant to section 320;

(4)any other matter in respect of which there is aprovision in the articles of association or thereunderto the effect that decisions of the general meetingmay also be passed by means of a voting paper;

(5)other matters prescribed by the Minister pursuant tosection 89.

(b)A voting paper shall be sent by the company to everyshareholder; a shareholder may indicate his vote on thevoting paper and send it to the company.

(c)A voting paper on which a shareholder has indicated hisvote and which has reached the company prior to the lastday prescribed for such shall be considered as presence atthe meeting for the purposes of the existence of a quorum asprovided in section 78.

(d)A voting paper received by the company as provided insubsection (c) regarding a particular matter in respect ofwhich no vote was held at the general meeting shall beconsidered as an abstention in the vote at such generalmeeting in respect of a resolution to hold an adjournedmeeting pursuant to the provisions of section 74, and shallbe counted at the adjourned meeting to be held pursuant tothe provisions of sections 74 or 79.

88.

(a) The board of directors and any person at whose demand theboard of directors convenes a special general meetingpursuant to the provisions of section 63, may address theshareholders in writing, via the company, in order toconvince them of how to vote on one of the mattersenumerated in section 87 to be discussed at such meeting(hereinafter "statement of position"); the company shallsend statements of position under this subsection toshareholders at its expense, together with a voting paper forsuch meeting.

(b) Where a general meeting has been convened with one of thematters enumerated in section 87 on its agenda, ashareholder of the company may address the company and request that it send a statement of position on behalf of theshareholder to the other shareholders in the company; astatement of position under this subsection may be at theshareholder's expense, or at the company's expense, as theMinister may prescribe pursuant to the provisions of section89; however, a company may provide that all statements ofposition under this subsection be at its expense.

(c) The board of directors of the company may send a statementof position to shareholders, in response to a statement ofposition sent as provided in subsections (a) or (b), or inresponse to some other address to shareholders of the company.

89.

The Minister may, in consultation with the Minister of Finance andthe Securities Authority, prescribe provisions regarding the votingpaper and the statement of position pursuant to this Article, interalia, with respect to the following matters:

(1) matters in addition to those provided in section 87 to whichthis Article applies;

(2) grant of a full or partial exemption from the application ofthe provisions of sections 87 and 88, regarding certain typesof companies, under such classification as may beprescribed, taking into account, inter alia, the rate ofholdings of a person holding control of such companies, themajority required for passing the resolution at the generalmeeting in certain companies and taking into account the place of registration for trading in the securities of thecompany;

(3) grant of an exemption from sending voting papers andstatements of position to some of the shareholders in certaincompanies, taking into account the rate of voting rights orthe value of shares held by them, and in respect ofshareholders as provided in section 177(1), taking intoaccount also the proportion of voting rights and the value ofshares held by each separate member of a stock exchange ineach securities account;

(4) the manner of service of voting papers and statements ofposition on shareholders, and the manner of sending votingpapers to the company, including by means of members of astock exchange or by means of a corporation controlled bythem, or by means of some other corporation, the obligationof attaching a certificate evidencing ownership of shares onthe prescribed date, and dates and timetables for effecting the acts required for carrying out the provisions of thisArticle;

(5) the maximum payment to be made for sending voting papersor statements of position and the manner of imposing suchpayments and expenses for sending them to the various parties taking part therein;

(6) publication of statements of position in the manner to beprescribed as an alternative to serving them on shareholders;

(7) the manner of supervising the performance of the provisionsof this Article, including in

respect of the obligation to keepregisters of the performance of prescribed provisions;

(8)the draft form of the voting paper and statement of positionfor matters in respect of which this Article applies.

Article H: Minutes of the Meeting

90.

(a) A company shall keep minutes of the proceedings at the general meeting, and shall keep them at its registered office for a period of seven years from the date of such meeting.

(b) Minutes signed by the chairman of the meeting shall constitute prima facie evidence of the contents thereof.

(c) The register of minutes of general meetings shall be kept at the registered office of the company and shall be open for inspection by its shareholders, and a copy of the register shall be sent to any shareholder who so requests.

Article I: Defects in Convening Meetings

91.

(a) The court may, on the application of a shareholder, orderthe cancellation of a resolution passed by a general meeting convened or held without the conditions prescribed for suchin this Law or in the articles of association having been fulfilled.

(b)Where the defect in convening the meeting relates to anotice regarding the place where the meeting is to be held orits timing, a shareholder who arrived at the meeting despitethe defect shall not be allowed to require abrogation of any resolution.

Chapter 3: The Board of Directors

Article A: Powers of the Board of Directors

92.

(a) The board of directors shall outline the policy of thecompany and shall supervise the performance of thefunctions and acts of the general manager within thatframework, and:

(1) shall determine the company's plans of action,principles for funding them and the prioritiesbetween them;

(2) shall examine the company's financial status, andshall set the credit limits that the company beentitled to operate;

(3) shall determine the organizational structure of thecompany and its wage policy;

(4) may resolve to issue debenture series;

(5) shall be responsible for preparing financial reportsand certifying them, as provided in section 171;

(6) shall report to the annual general meeting on theposition of the company's affairs and on theoutcome of its business activities as provided insection 173;

(7) shall appoint and remove the general manager asprovided in section 250;

(8) shall decide on acts and transactions requiring itsapproval under the articles of association orpursuant to the provisions of sections 255 and 268to 275;

(9) may allot shares and securities convertible to sharesup to the limit of the registered share capital of thecompany, in accordance with the provisions of section 288;

(10) may resolve to effect a distribution as provided insections 307 and 308;

(11) shall give its opinion on special tender offers asprovided in section 329.

(b) The powers of the board of directors under this section maynot be delegated to the general manager; the powers set outin section 112 may be delegated as set out in that section.

93.

(a) A private company may numbering one person.have a board of directors

(b) The provisions of this Article shall apply to a board ofdirectors numbering one person; the provisions of Article Fshall apply to the resolutions of such a board of directors,mutatis mutandis; the remainder of the provisions of thischapter shall not apply to a board of directors numberingone person.

Article B: Chairman of Board of Directors

94.

(a) The board of directors of a public company shall elect oneof their number to act as chairman of the board of directors,unless another method of appointment is prescribed in thearticles of association.

(b) A private company shall not be obliged to appoint achairman of the board of directors; where no chairman isappointed to the board of directors of a private company,each of the directors shall be entitled to convene the boardof directors and determine its agenda, unless otherwiseprovided in the articles of association.

95.

(a) The general manager of a public company may only serve aschairman of its board of directors in accordance with theprovisions of section 121(c).

(b)The chairman of the board of directors of a public companyshall only be granted the powers of the general manager inaccordance with the provisions of section 121(c).

(c)The provisions of subsection (a) shall cease to apply threemonths from the date on which a company becomes a publiccompany.

96.

(a) The chairman of the board of directors shall direct themeetings of the board of directors.

(b)Where the chairman of the board of directors is not presentat the meeting, the board of directors shall elect another ofits number to direct the meeting and to sign the minutes ofthe meeting, however, the person so elected shall not have an extra vote when voting on resolutions of the board ofdirectors as provided in section 107, unless otherwiseprovided in the articles of association.

Article C: Convening of Meetings of Board of Directors

97.

The board of directors shall be convened for meetings according tothe needs of the company, at least once a year, and in the case of apublic company, at least once every three months.

98.

(a) The chairman of the board of directors may convene theboard of directors at any time.

(b) The board of directors shall hold a meeting regarding aspecified matter, on the demand of any one of the following:

(1) two directors, and in a company in which the boardof directors numbers up to five directors, onedirector;

(2) one director, if a provision as aforesaid is laid downin the articles of association of the company, or ifthe provisions of section 257 are fulfilled.

(c) The chairman of the board of directors shall convene theboard of directors in accordance with a demand as providedin subsection (b) or if the provisions of section 122(d) arefulfilled, relating to a notice or report by the general manager or relating to a notice by the company's auditorpursuant to section 169.

(d)Where a meeting of the board of directors is not convenedwithin fourteen days of the date of demand as provided insubsection (b), or of the date of notice or report of thegeneral manager in respect which the provisions of section122(d) are fulfilled, or of the date of notice by the auditorpursuant to section 169, each of the persons enumerated insubsections (b) and (c) may convene a meeting of the board of directors to discuss the matter specified in the demand,notice or report, as the case may be, unless the articles ofassociation contain any other provision relating to the dateof convening the meeting.

Article D: Meetings of the Board of Directors and their Direction

99.

The agenda for meetings of the board of directors shall bedetermined by the chairman of the board of directors and shallinclude:

(1)matters determined by the chairman of the board ofdirectors;

(2)matters determined as provided in section 98;

(3)any matter that a director or the general manager requeststhe chairman of the board of directors to include in theagenda, at a reasonable time prior to the convening of ameeting of the board of directors, unless otherwise providedin the articles of association.

100.

(a) Notice of a meeting of the board of directors shall bedelivered to all members at a reasonable time prior to thedate of the meeting, unless there is a provision in the articlesof association prescribing the time of delivery.

(b) A notice under subsection (a) shall be delivered to theaddress of each director as made known to the company inadvance, and it shall state the date of the meeting and theplace at which it will convene, as well as a reasonablydetailed statement of all of the matters on the agenda, unlessotherwise provided in the articles of association.

(c) In a public company, conditions may not be placed in thearticles of association on the obligation to providereasonable details of all the matters on the agenda in thenotice of convening of a meeting of the board of directors.

101.

The board of directors may hold meetings using any means oftelecommunication such that all directors participating in themeeting can hear each other simultaneously, unless otherwiseprovided in the articles of association.

102.

Notwithstanding the provisions of section 100, the board ofdirectors may be convened to meet without notice, by the consentof all of the directors, unless this is prohibited by the articles ofassociation.

103.

(a) The board of directors may pass resolutions even withoutactually convening, provided that all of the directors entitled to participate in the discussion and vote on the matterbrought up for resolution have agreed thereto, unless this isprohibited by the articles of association.

(b)Where resolutions are passed in accordance with theprovisions of subsection (a), the chairman of the board ofdirectors shall prepare minutes of the resolutions and shallattach thereto the signatures of the directors to suchminutes, unless otherwise provided in the articles ofassociation.

(c)The provisions of section 108 shall apply, mutatis mutandis,to a resolution as provided in subsection (a).

104.

The quorum for commencing a meeting of the board of directorsthe shall be the majority of the directors, unless otherwise provided inthe articles of association.

Article E: Voting at the Board of Directors

105.

Each director shall have one vote at meetings of the board ofdirectors, unless otherwise provided in the articles of association.

106.

A director, in his capacity as such, shall not be party to a voting agreement, and a voting agreement shall be considered to be abreach of fiduciary duty.

107.

Resolutions of the board of directors shall be passed by ordinarymajority; where the votes are even, the chairman of the board ofdirectors shall have a casting vote, unless otherwise provided in thearticles of association.

Article F: Minutes of Meetings of the Board of Directors

108.

(a) A company shall prepare minutes of the proceedings atthe meetings of the board of directors and shall keep them at itsregistered office for a period of seven years from the date ofthe meeting.

(b)Minutes approved and signed by the chairman of themeeting or by the chairman of the board of directors shallserve as prima facie evidence of their contents.

Article G: Defects in Convening Meetings of the Board of Directors

109.

(a) A resolution passed at a meeting of the board of directorsconvened where the preconditions for convening it arelacking (hereinafter a "defect in convening") may beabrogated at the request of any one of the following:

(1) a director who was present at the meeting, providedthat prior to the passing of the defective resolution,he insisted that it should not be passed;

(2) a director who was entitled to be invited to ameeting but was not present, within a reasonabletime after being made aware of the resolution andno later than the first meeting of the board ofdirectors that takes place after he knew of the resolution;

(3) where the defect in convening relates to a noticeregarding the place or time or convening themeeting, a director who arrived at the meetingdespite the defect may not demand the abrogation ofthe resolutions.

(b) The provisions of subsection (a) shall not affect the validityof an act done for the company in respect of which theprovisions of the last part of section 56(a) were fulfilled.

Article H: Committees of the Board of Directors

110.

The board of directors may set up committees and appoint membersof the board of directors to sit on them (hereinafter "committees ofthe board of directors").

111.

(a) A resolution passed or an act done by a committee of theboard of directors shall be considered as a resolution passedor an act done by the board of directors, unless otherwiseprovided in the articles of association.

(b) A committee of the board of directors shall provide reportson a current basis to the board of directors regarding itsresolutions or recommendations.

(c) Articles B to D shall apply, mutatis mutandis, to theconvening of meetings of committees and the manner inwhich such meetings are held.

(d) Minutes of meetings of committees of the board of directorsshall be prepared and kept as provided in section 108.

112.

(a) A board of directors may not delegate its powers to acommittee of the board of directors with regard to thefollowing matters, except for the purpose of recommendation only:

(1)determining the company's general policy;

(2)distribution, unless in respect of purchase of sharesin the company in a framework outlined by thecompany in advance;

(3) determining the position of the board of directors inrespect of a matter requiring approval of the generalmeeting or the giving of an opinion as provided insection 329;

(4) appointing directors, if the board of directors isentitled to so appoint;

(5) allotting shares or securities convertible into sharesor realizable as shares, or debenture series, unlessthe allotment is an allotment following therealization or conversion of securities in thecompany;

(6) approval of financial reports;

(7) approval of board of directors given to transactionsand acts requiring the approval of the board ofdirectors pursuant to the provisions of sections 255 and 268 to 275.

(b) A company may not stipulate conditions in its articles ofassociation on the provisions of subsection (a), however, itmay prescribe other matters in its articles of association inrespect of which resolutions may be passed by the board of directors only.

113.

The board of directors may abrogate the resolution of a committee appointed by it; however, such abrogation shall not prejudice the validity of a resolution of a committee pursuant to which the company has acted towards another person who was unaware of the abrogation.

114.

The board of directors of a public company shall appoint from its members an audit committee, and the provisions of Article H shallapply thereto, mutatis mutandis.

Article I: Audit Committee

115.

(a) There shall be no less than three members of the auditcommittee, and all of the outside directors shall be membersthereof.

(b) Neither the chairman of the board of directors nor anydirector who is employed by the company or who providesit with services on a permanent basis shall be members ofthe audit committee.

(c) A holder of control or a relative of such a person shall notbe a member of the audit committee.

116.

(a) The internal auditor of the company shall receive notices ofthe holding of meetings of the audit committee and shall beentitled to take part in them.

(b) The internal auditor may request that the chairman of theaudit committee convene the committee to discuss suchmatter as he may specify in his request, and the chairman ofthe audit committee shall convene the committee within areasonable time from the date of the request, if he findsreason to do so.

(c) A notice of the holding of a meeting of the audit committeeat which a matter relating to the audit of financial reports isto be dealt with shall be sent to the auditor who mayparticipate in the meeting.

117.

The functions of the audit committee shall be as follows:

(1) to locate defects in the company's business administration, inter alia by consulting with the

company's internal auditoror with the auditor, and to make proposals to the board ofdirectors regarding ways of correcting such defects;

(2) to decide whether to approve acts and transactions requiringthe approval of the audit committee under sections 255 and268 to 275.

118.

(a) The board of directors of a private company may appoint anaudit committee consisting of its members to which theprovisions of section 115(b) shall apply and the provisionsof sections 115(a) and (c) shall not apply; the function ofthe audit committee shall be as provided in section 117.

(b)An audit committee having a function as provided in section117(2) shall not be appointed to a private company themajority of the members of which, or their relatives, aresubstantial shareholders.

Chapter 4: The General Manager

119.

(a) A public company shall appoint a general manager, and mayappoint more than one general manager.

(b) A private company may appoint one or more generalmanagers; where no general manager is appointed, thecompany shall be managed by the board of directors.

120.

The general manager shall be liable for the day-to-dayadministration of the affairs of the company, within the scope of thepolicies determined by the board of directors, and subject to itsguidelines.

121.

(a) The general manager shall have all managerial andexecutive powers not granted by this Law or by the articlesof association to any other organ of the company, and shallbe subject to the supervision of the board of directors.

(b) The general manager may, with the approval of the board ofdirectors, delegate any of his powers to any other personsubordinate to him.

(c) Notwithstanding the provisions of section 95, the generalmeeting of a public company may resolve that for a periodof no more than three years from the date of passing theresolution to such effect, the chairman of the board ofdirectors may be authorized to fulfill the role of generalmanager, or to exercise the powers of the general manager,provided that in counting the votes at the general meeting, the majority shall include at least two-thirds of theshareholders who are not holders of control in the companyor their representatives present at the vote; abstaining votesshall not be taken into account in counting the votes of the said shareholders.

122.

(a)The general manager shall be bound to notify the chairmanof the board of directors of any extraordinary matter whichis of significance to the company; where a company has nochairman of the board of directors, or where such person isprevented from fulfilling his role, the general manager shallso notify all members of the board of directors.

(b)The general manager shall submit reports to the board ofdirectors on the matters, at the times and to the extentdetermined by the board of directors.

(c) The chairman of the board of directors may, at any time, onits own initiative or in accordance with the decision of theboard of directors, require reports from the general manageron matters relating to the business of the company.

(d) Where a report or notification by the general managerrequires an act on the part of the board of directors, thechairman of the board of directors shall convene a meetingof the board of directors without delay.

Part IV: Administration of the Company

Chapter 1: Registered Office

123.

(a) As of the date on which a company is registered it shall bebound to establish a registered office in Israel to which allnotices for the company may be sent.

(b) Notification of the address of the registered office shall bedelivered to the Registrar together with the application forregistration of the company; notification of any change ofaddress of the registered office shall be delivered to theRegistrar within fourteen days of the change; the Registrarshall register the address of the registered office of thecompany.

(c) Service of any document on the company shall be effectedby leaving it at the registered office of the company asregistered with the Registrar at the time of delivery, or bysending it thereto by mail.

(d) Service of any document from the Companies Registry tothe company, or from the Securities Authority to a publiccompany may, notwithstanding the provisions of subsection(c), be effected by leaving it at the place at which theRegistrar or the Securities Authority, as the case may be, isconvinced that the company actually runs its business.

124.

Without derogating from the provisions of any law, a company shallkeep the following documents at its registered office:

(1) the articles of association of the company;

(2) minutes of meetings of the general meeting as provided insection 90;

(3) minutes of meetings of the board of directors andresolutions as provided in sections 103 and 108;

(4) minutes of meetings of committees of the board of directorsas provided in section 111;

(5) copies of notices from the company to shareholders over theprevious seven years;

(6) financial reports of the company as provided in section 171;

(7) the register of shareholders, and for a public company theregister of substantial shareholders, as provided in sections127 and 128;

(8) the register of directors, as provided in section 224.

125.

A company may keep the said documents by using electronicmeans, provided that those entitled to inspect them are enabled toreceive copies of such documents.

126.

(a) A person entitled to inspect the documents referred to insection 125 may receive a copy of them in return for suchpayment as the company may fix therefor.

(b) The Minister may prescribe maximum sums for payment.

Chapter 2: Register of Shareholders and Register of Substantial Shareholders

Article A: The Registers

127.

A company shall keep a register of shareholders.

128.

A public company shall have a register of substantial shareholders in addition to the register of shareholders.

129.

The register of shareholders and the register of substantialshareholders shall be open for inspection by any person.

Article B: Register of Shareholders

130.

(a) The following shall be entered in the register of shareholders:

(1) in respect of shares registered under a person's name -

(i) the name, identity number and address of theshareholder, as notified to the company;

(ii) the amount of shares and class of shares heldby each shareholder, indicating their nominalvalue, if any, and if any amount of theconsideration fixed for a share is not yetpaid, the amount unpaid;

(iii) the date of allotment of the shares or thedates of their transfer to shareholders, as thecase may be;

(iv) where the shares are marked with serialnumbers, the company shall note next to thename of each shareholder the numbers of theshares registered in such person's name;

(2) in respect of bearer shares -

(i) indication of the fact of the allotment ofbearer shares, the date of their allotment andthe number of shares allotted;

(ii) the numbering of the bearer share and of theshare warrant;

(3) in respect of dormant shares, as defined in section 308,their number and the date on which they becamedormant.

(b) A company shall preserve all the matters noted on the registerof shareholders as provided in subsection (a).

131.

A shareholder who is a trustee shall be registered on the register of shareholders, with a reference to the trusteeship, and such person shallbe considered 1a shareholder for the purposes of this Law.

132.

(a) Where a company's shares are listed for trading on a stockexchange in Israel, a nominee company may be entered on theregister of shareholders, in addition to what is provided insection 130(a)(1), however a nominee company shall not be considered as a shareholder in the company, and the shares inits name shall be owned by those entitled to them as providedin section 177(1).

(b) A shareholder by virtue of an entitlement under section 177(1)may be entered on the register of shareholders in place of theregistration of those shares listed under the name of thenominee company, and the number of shares listed under the name of the nominee company shall be altered accordingly.

133.

(a) The register of shareholders shall be prima facie evidence ofthe correctness of its contents.

(b) In the event of a discrepancy between what is entered in theregister of shareholders and a share certificate, the evidentiaryweight of the register of shareholders shall prevail over that ofthe share certificate.

134.

Where a person is registered on the register of shareholders withoutbeing so entitled, or where a person is not registered on the registerdespite being so entitled, or where the registration is not complete oraccurate, and the company refuses to correct that which requirescorrecting, the court may, on the application of the party affected, or ofany shareholder in the company, award such relief as it sees fit in thecircumstances of the case, including the amendment of the register.

Article C: Registration of Share Warrant

135.

Where a share warrant is issued in place of a share registered undera person's name, the share shall be registered, as set out in section130(a)(2), and the name of the shareholder shall be removed fromthe register of shareholders.

136.

A shareholder in lawful possession of a share warrant may returnthe warrant to the company for the purpose of its cancellation andconversion into a share registered under his name; uponcancellation, the name of the shareholder shall be noted on theregister of shareholders, noting the number of shares registeredunder his name, as provided in section 130(a)(1), provided that thearticles of association do not contain a provision prohibiting thecancellation of share warrants.

Article D: Register of Substantial Shareholders and Additional Register of Shareholders Outside Israel

137.

Reports received by the company pursuant to the Securities Lawrelating to the holdings of substantial shareholders of shares in thecompany shall be kept in the register of substantial shareholders.

138.

(a) A company may keep an additional register of shareholdersoutside Israel (hereinafter "the additional register").

(b) A company that keeps an additional register shall enter onthe register of shares under section 130 (hereinafter "theprincipal register") the number of shares registered in theadditional register of shareholders, and their numbers if they are marked with numbers.

139.

The Minister may lay down provisions for the keeping of anadditional register under section 138, including provisions relatingto the updating of the principal register with the details entered inthe additional register.

Chapter 3: Reporting

Article A: Reports of Private Companies

140.

A private company shall send the Registrar an annual report, as provided in section 141, and shall report to the Registrar as specified in this Law and in respect of the following matters:

(1)alterations in the articles of association as provided insection 21, including resolutions as to change of name asprovided in section 31, and increase or decrease of capitalas provided in sections 286 and 287;

(2) change of address of the registered office as set out insection 123;

(3) notification under section 159 to the effect that the companyhas no auditor;

(4) appointments to the board of directors and changes in itscomposition, as provided in section 223;

(5) allotment of shares as provided in section 292;

(6) transfer of shares as provided in section 299, fourteen daysfrom the date of transfer;

(7) merger as provided in section 317.

141.

(a) A private company shall, once a year, prepare and submit anannual report as prescribed by the Minister, within fourteendays after the annual general meeting.

(b) A private company that does not hold an annual generalmeeting, in accordance with section 61, shall submit anannual report once a year no later than fourteen days aftersending the financial reports to shareholders, and in respectof an inactive company that does not prepare financialreports pursuant to the provisions of section 172(g), once ayear.

Article B: Reporting by Public Company

142.

A public company shall report to the Securities Authority, to thestock exchange on which the company's securities are listed fortrading, and to the Companies Registry as required by this Law, bythe Securities Law or by any other law.

143.

(a) Reports submitted to the Securities Authority pursuant tosection 142 shall be open for public inspection at theSecurities Authority and any person may inspect them andreceive certified copies of what is entered in them, whetherthrough the Securities Authority or through othersauthorized by the Securities Authority for such purpose,unless such inspection is restricted by any law.

(b)A certified copy referred to in subsection (a) may beadmitted in any legal proceedings as evidence theevidentiary value of which is identical to that of the originaldocument, and shall constitute conclusive evidence of thefact that the original document is in the possession of theSecurities Authority.

144.

The Minister, upon consultation with the Minister of Finance andwith the Securities Authority, may prescribe regulations for the effecting of the provisions of sections 142 and 143, includingprovisions relating to -

(1)electronic filing or reporting, as defined in section 38,regarding reports submitted by a public company to theSecurities Authority;

(2)fees that are to be paid for acts and services provided by theSecurities Authority.

145.

A public company shall report to the Registrar only regarding thefollowing matters:

(1)a resolution regarding change of name as provided insection 31;

(2)change of address of its registered office as provided insection 123;

(3)merger as provided in section 317;

(4)its conversion into a public company as provided in section343.

Chapter 4: Internal Auditor in a Public Company

146.

(a) The board of directors of a public company shall appoint aninternal auditor; the internal auditor shall be appointed atthe proposal of the audit committee.

(b)A person who has an interest in the company, who is anoffice holder in the company or is a relative of any of these,as well as the auditor or any person acting on his behalfshall not act as internal auditor of the company.

147.

The provisions of sections 3(a), 4(b), 8 to 10 and 14(b) and (c) ofthe Internal Audit Law, 5752-19926 shall apply to the internalauditor, subject to the provisions of this Chapter, and mutatismutandis as the case may be.

148.

The internal auditor shall be responsible to the chairman of theboard of directors or the

general manager, as may be prescribed inthe articles of association, or, in the absence of a provision in thearticles of association, as the board of directors may determine.

149.

The internal auditor shall submit a proposal for an annual orperiodical work program for the approval of the board of directors,or for the approval of the audit committee, as provided in thearticles of association, or in the absence of a provision in the articlesof association, as prescribed by the board of directors, and the boardof directors or the audit committee, as the case may be, shall approve it, with such amendments as they see fit.

150.

The chairman of the board of directors or the chairman of the auditcommittee may require the internal auditor to perform an internalaudit, in addition to the work program, regarding matters requiringurgent examination.

151.

The internal auditor shall examine, inter alia, the propriety of actsof the company from the point of view of compliance with the lawand proper business administration.

152.

The internal auditor shall submit a report of his findings to thechairman of the board of directors, to the general manager and tothe chairman of the audit committee; a report relating to mattersaudited pursuant to section 150 shall be provided to whoevercharged the internal auditor with carrying out the audit.

153.

(a)The office of an internal auditor shall not be terminatedwithout his consent, nor shall he be suspended from hisposition, unless the board of directors has so resolved afterhearing the opinion of the audit committee, and after givingthe internal auditor a reasonable opportunity to present hiscase to the board of directors and to the audit committee.

(b)For the purposes of subsection (a), the quorum required toopen a meeting of the board of directors shall be no lessthan a majority of the members of the board of directors,notwithstanding the provisions at the end of section 104.

Chapter 5: Auditor

Article A: Appointment of Auditor

154.

(a) A company shall appoint an auditor to audit its annualfinancial reports and to express an opinion on them(hereinafter "an act of audit"); the Minister may prescribethat certain other acts performed by an auditor by law shallbe considered acts of audit for the purposes of this Chapter.

(b) An auditor shall be appointed at every annual generalmeeting and shall serve in that position until the end of thefollowing annual general meeting; however, the generalmeeting may, if such a provision exists in the articles ofassociation, appoint an auditor who may serve as such for alonger period of time, which period shall not extend beyondthe end of the third annual general meeting after that at which he was appointed.

(c) In a private company where the provisions of section 61prevail, an auditor may be appointed to serve in suchposition until the date of completion of a single act of audit,or, if the articles of association contain a provision to sucheffect, until the completion of three acts of

audit.

155.

(a) The board of directors may, at any time prior to the firstannual general meeting, appoint the company's first auditorand determine his salary; the first auditor appointed shallserve until the termination of the first annual general meeting.

(b) The provisions of section 154(c) shall apply to thetermination of service of an auditor appointed by the boardof directors in a private company in which the provisions ofsection 61 prevail.

156.

A company may appoint several auditors to perform the act of auditjointly.

157.

Where the position of auditor becomes vacant and the company hasno additional auditor, the board of directors of the company shall convene a special general meeting, at the earliest possible date, onthe agenda of which shall be the appointment of an auditor.

158.

(a) Notwithstanding the provisions of section 154, companiesthat are inactive and in which the public has no interestpursuant to the provisions and the conditions prescribed bythe Minister under subsection (b) (hereinafter an "inactivecompany") may resolve in general meeting that an auditorshall not be appointed.

(b) The Minister may prescribe provisions and conditionspursuant to which a company shall be considered aninactive company.

159.

(a) Where the auditor ceases to serve a company and no otherperson is appointed in his stead as prescribed by section157, the company shall notify the Registrar of such withinninety days of the date on which the auditor ceased so toserve; however, the giving of such notice to the Registrarshall not derogate from the company's obligation to appointan auditor, as long as an auditor is not appointed under subsection (b); where the company appoints an auditor aftergiving notice to the Registrar, it shall notify the Registrar ofthis within fourteen days.

(b) Where the Registrar receives notice of the auditor ceasing toact, as provided in subsection (a), and so long as theRegistrar has not received a notice of appointment of a newauditor, the Registrar may appoint an auditor who shallserve in such position until the end of the next annualgeneral meeting, and may determine the salary to be paid tosuch person by the company.

(c) The Minister may prescribe provisions and conditions forthe appointment of an auditor to be appointed by theRegistrar, the commencement of such person's service andhis salary.

Article B: Independence

160.

(a) The auditor shall be independent of the company, directlyand indirectly.

(b)The Minister may prescribe provisions relating to theindependent status of the auditor, including provisionsrelating to the independence of accountants who are partners in a partnership which is the auditor, or relating tothe independence of the accountants who are shareholdersin a company of accountants that is an auditor.

161.

Where an act of audit is performed at a time when there wererelations of dependence under section 160(b), an additional auditshall be performed by another auditor, unless at the time the matterwas made known to the board of directors five years have passedsince the date on which the said act of audit was performed.

Article C: Ending of Auditor's Term of Office

162.

(a) The general meeting may terminate the auditor's term ofoffice.

(b) Where a public company has on its agenda the terminationof service or non-renewal of appointment of an auditor, theview of the audit committee shall be made known to thegeneral meeting, after the auditor has been given reasonable opportunity to make his position known to the meeting.

163.

(a) Where the board of directors is aware of the existence ofrelations of dependence under section 160(b), it shall notify the auditor without delay that he is to take action to endsuch dependence immediately; where the dependence is not brought to an end, the board of directors shall convene aspecial general meeting within a reasonable time, on theagenda of which shall be the termination of service of theauditor.

(b)A general meeting convened in accordance with theprovisions of subsection (a) shall decide on the terminationof service of the auditor; however, the general meeting may,after hearing the position of the auditor, decide not to acceptthe proposal of the board of directors to terminate hisservice, if it finds that the auditor is not dependent upon thecompany.

164.

(a) The board of directors shall give the auditor a reasonable opportunity to make his position known to the general meeting that has the termination of service or non-renewal of his appointment on its agenda, and this shall include an invitation to the auditor to take part in the meeting.

(b) Where the auditor resigns in circumstances in which the shareholders of the company have an interest, he shall notify the board of directors of the company thereof.

(c) Without derogating from the provisions of any law, the board of directors shall notify the shareholders of the reasons of the auditor for his resignation, in such detail as the board of directors shall see fit, and it may also notify them of its position in this regard.

Article D: Fees Payable to Auditor

165.

(a) Fees due to the auditor for acts of audit shall be determined by the general meeting, or by the board of directors if authorized therefor by the general meeting, and in accordance with the conditions of such authorization or, where there is a provision for such in the articles of association, in accordance with such provision.

(b) Where a fee is determined for an act of audit by the board of directors, the board of directors shall inform the annual meeting of such fee.

166.

(a)A company shall not make the payment of fees of theauditor dependent on conditions that restrict the manner ofperforming acts of audit, or that connect the results of theaudit to such

payment.

(b) Neither a company, nor any person acting on its behalf, shall indemnify the auditor, directly or indirectly, for anobligation imposed upon him for a breach of hisprofessional liability or for the non-performance of anyother duty imposed upon him by law.

167.

(a) The fees of an auditor for additional services to thecompany that are not acts of audit shall be determined bythe board of directors; however, it may be provided in thearticles of association that fees for such services bedetermined by the general meeting.

(b) The board of directors shall inform the annual meeting as tofees of the auditor for additional services.

Article E: Powers, Duties and Responsibilities of Auditor

168.

(a) The auditor may at any time inspect those documents of thecompany required by him for the purpose of fulfilling hisfunction and receive explanations with regard to them.

(b) The auditor may participate in any general meeting at whichfinancial reports are submitted in respect of which an act ofaudit is performed, and at any meeting of the board ofdirectors dealing with the approval of financial reports or atany meeting of the board of directors convened inaccordance with section 169; the board of directors shallnotify the auditor of the place and time at which the general meeting or meeting of the board of directors is to beconvened.

169.

(a) Where the auditor is aware, as a result of an act of audit, ofsubstantial defects in inspection of the company's accounting, it shall report thereon to the chairman of theboard of directors.

(b) Where the auditor reports on defects referred to insubsection (a), the chairman of the board of directors shall, without delay, convene a meeting of the board of directorsto discuss the matters brought to his attention.

170.

(a) The auditor shall be liable to the company and itsshareholders for the contents of his opinion regarding thefinancial reports.

(b) The provisions of subsection (a) shall not preclude theexistence the auditor's liability under any law.

Chapter 6: Financial Reports

171.

(a) A public company shall keep accounts, and shall alsoprepare financial reports pursuant to the Securities Law.

(b) A private company shall keep accounts, and shall alsoprepare financial reports as provided in this Law.

(c) The financial reports shall be approved by the board ofdirectors and signed in its name.

172.

(a)A private company shall prepare financial reports for each year, which shall include a balance sheet as of 31 December (hereinafter "the determining date") as well as a profit and loss account for the period of a year ending on that date, and other financial reports, in accordance with the requirements of accepted accounting rules (in this Chapter "the reports"); the auditor shall audit the reports.

(b) A private company may prescribe in its articles of association that, notwithstanding the provisions of subsection (a), the reports will be for a year that does not end on the determining date, but rather on some other date to be laid down in the articles of association (hereinafter "the special date").

(c) The reports of a private company shall be prepared within six months of the determining date or of the special date, as the case may be, or within such other period as may be laid down in the articles of association, provided that such period does not exceed nine months.

(d) The reports shall be prepared in accordance with accepted accounting rules, and shall properly reflect what they are meant to reflect, in accordance with such rules.

(e) The Minister may prescribe provisions relating to the identity and number of signatories to the reports; so long as no such provision has been prescribed, the reports will be signed by at least one director.

(f) The Minister may prescribe details that are to be included in the reports; where the Minister has prescribed such details, they shall apply despite the provisions of accepted accounting rules.

(g) An inactive company, as referred to in section 158, may make a resolution in general meeting to the effect that it is not required to prepare reports under this Chapter.

173.

(a)The board of directors of a private company shall presentthe reports approved by it to the annual meeting and, in acompany in which the provisions of section 61 apply, shallsend the reports to the shareholders.

(b)The board of directors of a private company shall present areport to the annual meeting containing its explanationsregarding the events and changes that have taken place inthe state of affairs of the company that have influenced thereports, in such detail as it sees fit.

(c)The reports shall be kept at the registered office of thecompany for at least seven years from the date on whichthey were prepared, for the inspection of the directors andshareholders of the company.

(d)A shareholder in a private company may receive a copy ofthe reports and of the opinion of the auditor in respect ofthem.

(e)Copies of the reports in a private company shall be sent toall persons entitled to receive notice of general meetings, nolater than fourteen days before the date on which the generalmeeting is to be held, unless otherwise provided in hearticles of association.

174.

The board of directors shall declare in the annual report, as providedin section 141, that it has fulfilled the provisions of section 173(a).

175.

(a) A private company shall attach the balance sheet containedin the reports to its annual report, if at least one of thefollowing conditions applies:

(1) the articles of association of the company do notlimit the right to transfer shares in it;

(2) the articles of association of the company do notprohibit an offer to the public of shares ordebentures;

(3) the articles of association of the company do notlimit the number of shareholders in the company tofifty other than employees of the company orpersons who were employees of the company andwho, whilst being employees of the company oreven after ceasing to be employees of the company,continue to hold shares in the company; for thepurposes of this paragraph, two or more personswho jointly hold a share or shares in a companyshall be considered as one shareholder.

(b) The Minister may determine that the provisions ofsubsection (a) shall not apply in general or to classes ofprivate companies.

Part V: The Shareholder

Chapter 1: The Shareholder and the Share Certificate

176.

A shareholder in a private company is any person who is soregistered in the register of shareholders, or whoever holds a sharewarrant.

177.

A shareholder in a public company is any of the following:

(1) A person for whose benefit a share is registered with amember of a stock exchange and such share is included inthe shares registered in the register of shareholders in thename of the nominee company;

(2) A person registered as a shareholder in the register ofshareholders;

(3) A person holding a share warrant.

178.

(a) A shareholder registered in the register of shareholders shallbe entitled to receive a certificate from the companyevidencing his ownership of a share.

(b) A nominee company shall be entitled to receive a sharecertificate from the company evidencing the number andclass of shares registered in its name in the register ofshareholders.

179.

A company may, if there is a provision for such in its articles of association, issue a share warrant for a fully-paid share, and theprovisions of section 135 shall apply.

180.

The Minister may prescribe provisions relating to the text, form,format and printing of a share certificate or of a share warrant.

181.

(a)A company may prescribe in its articles of association or inan allotment agreement provisions

allowing the board ofdirectors to forfeit a share allotted by the company and tosell it, if all or part of the consideration owed to the company by the shareholder (hereinafter "the debtor") remains outstanding on the date and under the conditionsprescribed in the articles of association or in such agreement.

(b) Shares forfeited and not yet sold shall be dormant shares, asdefined in section 308.

(c) The debtor shall continue to be in debt to the company, unless the shares forfeited have been sold and the companyhas received the full consideration owed, together withadditional sale costs.

(d) Where the consideration received for sale of forfeited sharesexceeds the consideration owed by the debtor, the debtorshall be entitled to a refund of part of the considerationgiven for them, if any, subject to the provisions of thearticles of association or any allotment agreement, providedthat the consideration remaining in the possession of thecompany shall be no less than the full consideration owed by the debtor, together with costs involved in the sale.

(e) The provisions of this section shall not derogate from anyother remedy available to the company as against the debtor.

182.

(a) The shareholders who are entitled to a dividend as providedin section 306 shall be the holders of shares on the date of the resolution regarding the dividend or on a later date if a later date is prescribed in such resolution.

(b) The shareholders in a public company that are entitled toparticipate and vote at the general meeting shall be theholders of shares on the date prescribed in the resolution toconvene a general meeting, provided that such date falls no more than twenty-one days before the date of convening ofthe general meeting, and no fewer than four days prior tothe date of convening.

(c) The Minister may make other provisions regarding the datesreferred to in subsection (b), if this is required for thepurpose of voting by means of a voting paper under section87.

Chapter 2: Rights and Obligations of Shareholders

183.

The rights and obligations of a shareholder shall be as laid down inthis Law, in the articles of association of the company or under anyother law.

184.

Shareholders shall have the right to inspect the following documentsof the company:

(1) minutes of general meetings, referred to in section 90;

(2) the register of shareholders and the register of substantialshareholders, as referred to in section 129;

(3) any document held by the company, as provided in section185;

(4) the articles of association of the company, referred to insection 187;

(5) any document which the company is required to file underthis Law and under any law with the Companies Registry orthe Securities Authority, available for public inspection atthe Companies Registry or the Securities Authority, as thecase may be.

185.

(a) A shareholder shall be entitled to require from the companyinspection of any document in its possession, indicating forwhat purpose, in any of the following instances:

(1) the document relates to an act or transactionrequiring the consent of the general meeting underthe provisions of sections 255 and 268 to 275;

(2) in a private company, if needed for passing aresolution regarding a matter that is on the agendaof the company's general meeting.

(b) The company may refuse the request of the shareholder if inits opinion the request was not made in good faith or thedocuments requested contain a commercial secret or apatent, or disclosure of the documents could prejudice thegood of the company in some other way.

186.

(a)The board of directors of a company shall, on the demand ofone or more shareholders holding at least ten percent of thevoting power in the company, be obliged to provide suchperson with a statement verified by the company's auditor, containing full details of all payments made by the companyto each of the directors and of the obligations to pay that thecompany has taken upon itself, including conditions forretirement in respect of each of the last three years in which the company has prepared financial statements; the amountshall also include payments received by a director for beingan office holder in a subsidiary of the company.

(b)Where the board of directors finds that the demand is notmade in good faith, it may refuse to comply therewith.

187.

(a)Every shareholder shall be entitled to receive from thecompany, at his request, a copy of the articles of associationand, in a private company, a copy of the financial reportsreferred to in section 173(d).

(b)The Minister may prescribe the entitlement of a shareholderin a public company to receive from the company a copy ofthe financial reports.

188.

Every shareholder shall be entitled to participate in the generalmeeting and to vote thereat, subject to the provisions of the articlesof association regarding voting rights attached to any share.

189.

Shareholders may conclude voting agreements between themselves,subject to the duties imposed upon them under this Law.

190.

Every shareholder shall be entitled to receive a dividend, inaccordance with the rights attached to each share, if a resolution asprovided in section 306 regarding payment of a dividend has beenpassed.

191.

(a) Where the company's business is run in a way thatconstitutes discrimination against all or some of itsshareholders, or in a way that gives rise to a realapprehension that the company's business will be run insuch a way, the court may, at the request of a shareholder,give such instructions at it sees fit to remove or prevent suchdiscrimination, including instructions for running the company's business in the future, or instructions to theshareholders of the company

under which either they or thecompany itself is to purchase its shares, subject to theprovisions of section 301.

(b) Where the court rules as provided in subsection (a),appropriate alterations shall be made in the company'sarticles of association and in its resolutions, as the courtmay determine, and such alterations shall be considered tohave been lawfully made by the company; a copy of theresolution shall be sent to the Companies Registrar, and ifthe company is a public company, to the SecuritiesAuthority.

192.

(a) A shareholder shall act in exercising his rights and infulfilling his duties towards the company and towards othershareholders with good faith and in a customary manner,and shall avoid exploiting his power in the company, interalia, in voting at the general meeting or at class meetings, inthe following matters:

(1) alteration of the articles of association;

(2) increase in the registered share capital;

(3) merger;

(4) approval of acts and transactions requiring theapproval of the general meeting pursuant to theprovisions of sections 255 and 268 to 275;

(b) A shareholder shall avoid discriminating against othershareholders.

(c) The laws applying to breach of contract shall apply, mutatismutandis, to breach of the provisions of subsections (a) and(b), and the provisions of section 191 shall also apply,mutatis mutandis, to breach of the provisions of subsection (b)

193.

(a) The duty to act fairly towards the company shall apply to the following:

(1)a holder of control in the company;

(2)a shareholder who knows that the manner in whichhe votes will be decisive in respect of a resolutionof the general meeting or of a class meeting of the company;

(3)a shareholder who, pursuant to the provisions of thearticles of association, has the power to appoint orto prevent the appointment of an office holder in thecompany or any other power vis-a-vis the company.

(b)Breach of the duty of fairness shall be treated as a breach ofthe fiduciary duty of an office holder, mutatis mutandis.

Chapter 3: Derivative and Class actions

Article A: Derivative Action and Derivative Defense

194.

(a) Any shareholder and any director of a company (in thisChapter "plaintiff") may file a derivative action if theprovisions of this Article prevail.

(b) Any person wishing to file a derivative action shall addressthe company in writing,

demanding that it exhaust its rightsby instituting an action (in this Chapter "a demand").

(c) The demand shall be presented to the chairman of the boardof directors of the company, and it shall set out in detail thefacts giving rise to the cause of action and the reasons for itssubmission.

195.

A company that receives a demand may proceed in one of thefollowing ways:

(1) do any act or pass any resolution resulting in the droppingof the cause of action;

(2) reject the plaintiff's demand, for reasons specified in itsresolution;

(3) resolve to file a suit.

196.

The company shall inform the plaintiff of the way in which itproceeded under section 195 within forty-five days of the date ofreceipt of the demand, giving details of the action taken and thebody that passed the resolution, including the names of those whoparticipated in passing the resolution; where a participant or an office holder in the company has a personal interest in theresolution, this shall be stated in the resolution and in the notice tothe plaintiff.

197.

A plaintiff may file a derivative action with the approval of thecourt, in accordance with the provisions of section 198, if one of thefollowing applies:

(1) the act done or the resolution made under section 195(1) didnot, in the plaintiff's opinion, bring about the dropping ofthe cause of action;

(2) the company rejected the plaintiff's demand as provided insection 195(2);

(3) the company gave notice to the plaintiff that it has resolvedto file a suit, as provided in section 195(3), but no suit wasfiled within seventy-five days of the date of such notice;

(4) the company did not respond to the demand in accordancewith section 196.

198.

(a) A derivative action requires the approval of the court, whichshall approve it if convinced that the claim, and the conductthereof, are prima facie in the best interests of the companyand that the plaintiff is not acting with lack of good faith.

(b) The court may approve the filing of a derivative action filedbefore the dates laid down in sections 196 or 197 haveelapsed if it is of the opinion that failure to file the claim onsuch date would cause it to become prescribed, and it maymake the approval conditional upon the fulfillment of theconditions laid down in this article for filing a derivativeaction.

(c) In this article, "court" - a court having competence to hearthe action.

199.

Where the court has approved a derivative action, it may:

(1) give instructions as to the manner and dates of payment ofcourt fees, including the division of payment of the feebetween the plaintiff and the company;

(2) order the company to pay the plaintiff such sums as it mayprescribe to cover the plaintiff's

costs or to deposit asecurity for such payment;

(3) require the company or the plaintiff to deposit security tocover the defendant's costs.

200.

Where the court has adjudicated on a derivative action, it mayrequire the company to pay the plaintiff's costs and it may requirethe plaintiff to pay costs incurred by the company, in whole or inpart, taking into account the judgment and the other circumstancesof the case.

201.

Where the court rules in favor of the company, it may order thepayment of a reward to the plaintiff taking into account, inter alia,the benefit derived by the company from filing the claim and fromwinning it.

202.

A plaintiff shall not withdraw a derivative action, and shall not enterinto an arrangement or settlement with the defendant, other thanwith the consent of the court; the application for such consentspecify all details of the arrangement or settlement, including anypayment offered to the plaintiff.

203.

(a) Where a claim is filed against a company, the court may, atthe request of a shareholder or director (in this Chapter "thederivative defendant") allow such person to defend theclaim on behalf of the company (hereinafter "the derivativedefense") provided that the court is convinced that theconduct of the derivative defense is for the benefit of thecompany, and that the derivative defendant is not actingwith lack of good faith.

(b) The provisions of this Article regarding a derivative actionshall apply, mutatis mutandis, to a derivative defense to theextent that provisions are not prescribed by the Minister.

204.

A creditor of a company may file a derivative action on behalf ofthe company in respect of a prohibited distribution effected by thecompany, and the provisions of this Article shall apply thereto,mutatis mutandis.

205.

Neither a derivative action nor a derivative defense shall be filed onbehalf of a company over which a liquidator has been appointedunder Chapter 12 of the Companies Ordinance.

206.

The Minister may prescribe provisions regarding derivative actionsand derivative defenses, including the procedures for the approvalthereof.

Article B: Representative Action

207.

(a) In this Article, "connection" - ownership, possession,purchase or sale.

(b) A person having a cause of action under any law as a resultof a connection to a security may, with the consent of thecourt as provided in section 210, sue on behalf of a groupall of whose members have a cause of action deriving fromthe same connection to a security.

208.

A plaintiff filing a representative action shall give notice thereof inwriting to the Attorney-General; where the cause of action arisesout of a connection to a security of a public company,

the plaintiffshall also give notice thereof to the Securities Authority.

209.

(a) A plaintiff seeking to sue in a representative action derivingfrom a connection to a security of a public company mayrequest the Securities Authority to bear his costs.

(b) Where the Securities Authority is convinced that the actionis in the interests of the public and that there is a reasonablechance that the court will approve it as a representativeaction, the Authority may bear the plaintiff's costs, in such sum and on such conditions as it shall prescribe.

(c)Where the court rules in favor of the plaintiff, it may orderin its judgment indemnification of the Securities Authorityfor its costs.

210.

(a)The court may approve a representative action if it is of theopinion that, prima facie, all of the following conditions arefulfilled:

(1)the bases of the cause of action are substantiatedand where one such basis is damage, it is sufficientif the plaintiff shows prima facie injury to himself;

(2)substantive questions of fact and law common to allof the members of the group are to be settled in theaction;

(3)a representative action is the most appropriatemethod for settling the dispute in the circumstancesof the case, taking into account, inter alia, the size of the group;

(4)the interests of all of the members of the group willbe represented and managed in an appropriatemanner by the plaintiff; the defendant may notappeal or seek leave to appeal against a decision inthis regard.

(b) The court shall not approve a representative action if it finds that it was submitted with lack of good faith.

211.

(a) Where the court approves the filing of an action as arepresentative action, it shall define the group on behalf ofwhich the claim is filed and shall give instructions to theplaintiff as to the manner in which its decision is to be made public.

(b) Any person included in the group as defined by the courtshall be considered to have agreed to have been included inthe group unless any such person notifies the court of hisdesire not to be included in the group, within sixty days ofthe date of publication of the decision of the court; thecourt may, on the application of any person, extend the saidperiod in respect of such person, if it is of the opinion thatthere is a special reason for doing so.

212.

A judgment in a class action shall be res judicata in respect of allmembers of the group, subject to the provisions of section 211.

213.

(a) A plaintiff shall not withdraw from a representative actionand shall not make an arrangement or compromise with adefendant without the approval of the court.

(b) Where the court is requested to approve an arrangement orcompromise, it shall order the

publication of a notice settingout the details of the arrangement or compromise; membersof the group may file an objection to the approval of the arrangement or compromise within the time set down forsuch by the court.

214.
The court shall determine the fees of the advocate representing thegroup; the advocate shall not receive fees greater than the sumdetermined by the court.

215.
Where the court rules in favor of the plaintiff, it may order thepayment of remuneration to him for his efforts in filing and provingthe claim.

216.
(a) Where the court adjudicates on monetary compensation in aclass action, it may order that in addition to suchcompensation, costs will be paid in a fixed sum to each ofthe members of the group for their efforts in proving theirright to relief.

(b) Where the court adjudicates an inclusive sum as monetarycompensation in the action, it may give instructionsregarding the use of the balance that would remain if any ofthe members of the group had not made any effort to provetheir right to relief.

217.
Subject to the provisions of section 212, the provisions of thisArticle shall not preclude any other legal relief to the defendant.

218.
(a)The Minister shall prescribe rules of procedure regardingfiling and conducting a representative action, and regardingcourt fees.

(b)The Minister may make provisions regarding methods ofproving injury to each of the members of the group.

Part VI: Office Holders in a Company

Chapter 1: Directors' Appointment and Term of Office

Article A: Term of Office of Director and Termination thereof

219.
(a) The number of directors shall be prescribed in the articles ofassociation; however it shall be sufficient for the articles ofassociation to prescribe the maximum and minimum numberof directors.

(b) At least one director shall hold office in a private company.

(c) At least two outside directors as provided in section 239shall hold office in a public company.

220.
The initial directors of a company shall be the directors appointedby the founders of the company who have made the declarationprovided in section 8; the initial directors shall cease to hold officeat the end of the first annual general meeting, unless otherwiseprovided in the articles of association.

221.

A director shall commence his term of office on the date of hisappointment or on a later date if the articles of association have aprovision permitting an appointment that is to commence in thefuture.

222.

Directors appointed by the general meeting shall cease to holdoffice at the end of the first annual general meeting held after thedate of their appointment, unless otherwise provided in the articlesof association.

223.

A private company shall report to the Companies Registrar theappointment of a director and of a director's ceasing to hold officewithin fourteen days of the date of appointment or of the date ofcessation of holding office.

224.

The company shall keep a register at its registered office of themembers of the board of directors and of their substitutes, ifsubstitutes are appointed for them under the provisions of section237. Such register shall be available for inspection by any person.

Article B: Restrictions on Appointment and Termination of Office

225.

A person who is a candidate to hold office as a director shalldisclose to the person appointing him whether he has beenconvicted by a conclusive judgment of an offense referred to insection 226, where five years have not yet elapsed from the date ofthe judgment by which he was convicted.

226.

(a) A person convicted by a conclusive judgment of one of thefollowing offenses shall not hold office as a director in apublic company unless five years have passed since the dateon which the judgment by which he was convicted wasgiven:

(1) offenses under sections 290 to 297, 392, 415, 418 to 420and 422 of the Penal Law, 5737-19777, and undersections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) conviction by a court outside Israel of the offenses ofbribery, deceit, offenses by managers of a corporate bodyor offenses involving misuse of inside information;

(3) conviction of any other offense in respect of which acourt holds that, due to the substance, gravity orcircumstances of such offense, such person is not fit to serve as director in a public company.

(b) A court may determine, at the date of the conviction orthereafter, on the application of a person interested in beingappointed as a director, that despite his conviction ofoffenses specified in subsections (a)(1) and (a)(2), andtaking into account, inter alia, the circumstances in whichthe offense took place, such person is not precluded fromholding office as director of a public company.

(c) The Minister may prescribe additional offenses to those laiddown in subsection (a)(1).

227.

(a) A person who has been declared bankrupt shall not beappointed as director for so long as such person remainsundischarged, nor shall a corporation that has resolved toenter into voluntary liquidation or in respect of which awinding up order has been issued.

(b) A person nominated to hold office as director to whom theprovisions of subsection (a) apply shall disclose such to theperson appointing him.

228.

(a) Without derogating from the provisions of any law, theoffice of a director shall terminate before the end of theperiod of office for which he was appointed, in any of thefollowing instances:

(1) he resigns or is dismissed from office as provided insections 229 to 231;

(2) he is convicted of an offense referred to in section 232;

(3) in accordance with a court ruling as provided in section233;

(4) he has been declared bankrupt, or if a corporation, it hasbeen resolved to liquidate the corporation voluntarily, ora winding up order has been issued in respect thereof.

(b) A company may not stipulate conditions in its articles ofassociation regarding the provisions of this section, but itmay add additional causes for termination of the office of adirector.

229.

(a) A director may resign from office by delivery of a notice tothe board of directors, to the chairman of the board ofdirectors or to the company, and the resignation shall takeeffect on the date of delivery of the notice, unless a later date is set out in the notice.

(b) A director shall give reasons for his resignation.

(c) Where notice of the resignation of a director is received, thefact of the resignation and the reasons given therefor shallbe presented to the board of directors and shall be recordedin the minutes of the first meeting convened after theresignation.

230.

(a)The general meeting may, at any time, dismiss a directorunless otherwise provided in the articles of association,provided that the director shall be given the opportunity toput his case before the general meeting.

(b)Where the articles of association contain a provisionwhereby a director may be appointed to hold officeotherwise than by the general meeting, such person may only be removed from office by the person entitled toappoint him and in the manner prescribed for such in thearticles of association, unless otherwise provided in the articles of association.

231.

Where a company becomes aware that a director was appointedcontrary to the provisions of section 226 or 227(a), or that a directorcommitted a breach of the provisions of section 225, 227(b) or 232,the board of directors shall resolve, at its first meeting convenedafter becoming so aware, to terminate the office of such director, ifit finds that the said conditions are fulfilled, and such office shall expire on the date of such resolution.

232.

Where a director has been convicted by a final judgment of anoffense provided in section 226(a)(1) or (3), he shall so inform thecompany and his office shall terminate on the date of giving of suchnotice, and in a public company, it shall not be possible to reappointhim to hold

office as a director unless five years have passed asprovided in section 226.

233.

The court may, on the application of the company, a director, shareholder or creditor, order the termination of the office of adirector if it finds that one of the following prevails:

(1) the director is permanently unable to fulfill his function;

(2) in respect of a director acting in a public company - duringthe term of his office he was found guilty in a court outsideIsrael of offenses referred to in section 226(a)(2).

234.

A director who commits a breach of the duty of disclosure provided in sections 225, 227(b) or 232 shall be considered as havingcommitted a breach of his fiduciary duty to the company.

Article C: A Body Corporate as Director

235.

A corporation shall be eligible to serve as director, unless otherwise provided in the articles of association.

236.

(a) A corporation serving as director shall appoint an individualwho is eligible to be appointed as director of the company toact on its behalf and the corporation may replace suchperson, subject to its duties towards the company.

(b) The name of the individual serving on behalf of thecorporation shall be entered in the register of directors asthe person serving on behalf of the corporation.

(c) The duties that apply to a director shall apply to theindividual serving on behalf of a corporation and to thecorporation itself, jointly and severally.

Article D: Substitute Director

237.

(a) It shall not be possible to appoint a substitute for a director (hereinafter "a substitute director") unless the articles ofassociation include a provision allowing such appointment.

(b) Neither a person who is not eligible to be appointed as adirector, nor a person who is serving as director orsubstitute director shall be appointed or shall serve as asubstitute director.

238.

(a) The legal status of a substitute director shall be the same asthat of a director.

(b) The appointment of an substitute director shall notterminate the liability of the director whom he replaces,which shall continue to apply, taking into account the circumstances of the case, including the circumstances ofappointment of the substitute director and the duration ofhis office.

Article E: Outside Director

239.

(a) Two outside directors shall hold office in a public company.

(b)The outside directors shall be appointed by the generalmeeting, provided that one of the following conditionsprevails:

(1) in counting the votes of the majority at the generalmeeting at least one-third of all the votes of shareholderswho are not holders of control in the company or representatives of such persons, present at the time ofvoting are included; in counting the total votes of suchshareholders, abstentions shall not be taken into account;

(2) the total number of votes opposing the appointment fromamong the shareholders referred to in paragraph (1) shallbe no greater than one percent of the total voting rightsin the company.

(c) The Minister may prescribe different rates from the rateprovided in subsection (b)(2).

(d)In a company in which, on the date of appointment of anoutside director, all members of the board of directors of thecompany are of one gender, the outside director appointedshall be of the other gender.

240.

(a) An individual who is a resident of Israel and who isqualified for appointment as a director may be appointed asan outside director.

(b) An individual who himself, or whose relative, partner,employer or a corporation in which he has control, has aconnection with the company or with a holder of control ofthe company on the date of appointment, or to another bodycorporate shall not be appointed as an outside director; forpurposes of this subsection:

"connection" - the existence of labor relations, business or professional relations generally or control, as well as actingas an office holder, other than as a director for a period ofno more than three months during which the company first offered its shares to the public;

"another body corporate" - a body corporate in which theholder of control is, on the date of appointment or duringthe two years preceding the date of appointment, thecompany or a holder of control therein.

(c) An individual shall not be appointed as an outside directorif any other position or business of his might give rise to aconflict of interest with his role as director, or if these mightharm his ability to act as a director.

(d) A director of a company shall not be appointed as an outsidedirector of another company if at such time, a director of theother company is acting as an outside director of the firstcompany.

(e) An individual shall not be appointed as an outside directorif he is a member of the Securities Authority or an employeethereof or if he is a member of the board of directors of astock exchange in Israel or an employee thereof.

241.

(a) A general meeting at which the appointment of an outsidedirector is on the agenda may only be convened if thenominee has declared that he fulfills the conditions requiredfor being appointed as an outside director (hereinafter "the declaration").

(b) The declaration shall be kept at the registered office of thecompany and shall be open for inspection by any person.

(c) The Minister may lay down provisions regarding thedeclaration.

242.

Initial outside directors shall be appointed by general meeting to be convened no later than three months from the date on which thecompany became a public company.

243.

At least one outside director shall serve on every committeeauthorized to exercise any of the powers of the board of directors.

244.

(a) An outside director is entitled to remuneration and to arefund of expenses as may be prescribed by the Ministerupon consultation with the Securities Authority.

(b) An outside director shall not receive, in addition to theremuneration to which he is entitled and refund of expenses,any other consideration, direct or indirect, for acting as adirector of the company; for the purposes of thissubsection, consideration shall not include the grant of anexemption, an undertaking to indemnify, indemnification orinsurance pursuant to the provisions of Article C of Chapter3.

245.

(a)The term of office of an outside director shall be threeyears, and the company may, notwithstanding the provisionsof section 240, appoint him for one further term of threeyears.

(b)An outside director shall only be dismissed in accordancewith the provisions of sections 233, 246 and 247.

246.

(a) Where the board of directors becomes aware that there is a suspicion that an outside director has ceased to fulfill one ofthe conditions required under this Law for his appointmentas an outside director, or that there is a suspicion that the director has committed a breach of a fiduciary duty to thecompany, the board of directors shall discuss such matter atthe first meeting to be convened after becoming so aware.

(b) Where the board of directors finds that the outside directorhas ceased to fulfill one of the conditions required underthis Law for his appointment or that he has committed abreach of his fiduciary duty, the board of directors shallconvene a special general meeting on the agenda of whichshall be the termination of office of the outside director.

(c) The reasons for the finding of the board of directors shall bepresented to the special general meeting and the outsidedirector shall be given a reasonable opportunity to expresshis position; the resolution of the special general meeting regarding the termination of the office of the outsidedirector shall be passed by the same majority as is requiredfor his appointment.

247.

The court may, on the application of a director or a shareholder,order the termination of the office of an outside director if it is ofthe opinion that he has ceased to fulfill one of the conditionsrequired under this Law for his appointment as an outside directoror that he has committed a breach of a fiduciary duty to the company.

248.

Where the position of outside director becomes vacant and there arenot two other outside directors serving in the company, the board ofdirectors shall convene a special general meeting, for the earliestdate possible, on the agenda of which shall be the appointment of anoutside director.

249.

A company shall not appoint a person who has served as outsidedirector of the company as an office holder of the company, shallnot hire such person as an employee and shall not receiveprofessional services from such person in return for payment, whether directly or indirectly, including by way of a corporate bodycontrolled by such person, unless two years have elapsed from hetermination of his office as outside director of such company.

Chapter 2: Appointment and Dismissal of Other Office Holders

250.

The general manager shall be appointed and dismissed by the boardof directors, unless otherwise provided in the articles of association.

251.

Office holders in a company, other than directors and the general manager, shall be appointed and dismissed, in a public company bythe general manager and in a private company by the board ofdirectors, unless otherwise provided in the articles of association.

Chapter 3: Duties of Office Holders

Article A: Duty of Care

252.

(a)An office holder owes a duty of care to the company asprovided in sections 35 and 36 of the Civil WrongsOrdinance [New Version]8.

(b) The provisions of subsection (a) shall not preclude a duty ofcare being owed by an office holder to another person.

253.

An office holder shall act with the standard of proficiency withwhich a reasonable office holder, in the same position and in the same circumstances, would act; this shall include taking reasonablesteps, in view of the circumstances of the case, to obtaininformation regarding the business expedience of an act submitted for his approval or of an act done by him by virtue of his position,and to obtain all other pertinent information regarding such acts.

Article B: Fiduciary duty

254.

(a)An office holder shall owe a fiduciary duty to the company,shall act in good faith and for the benefit of the company,including the following:

(1) he shall refrain from any act involving a conflict ofinterest between the fulfillment of his role in thecompany and the fulfillment of any other role or his ownpersonal affairs;

(2) he shall refrain from any act involving competition withthe business of the company;

(3) he shall refrain from taking advantage of a businessopportunity of the company with the aim of obtaining abenefit for himself or for any other person;

(4) he shall disclose all information to the company andshall provide it with all documents relating to its interestthat reach him by virtue of his position with the company.

(b)The provisions of subsection (a) shall not preclude afiduciary duty being owed by an office holder to any otherperson.

255.

(a) A company may approve any of the acts enumerated insection 254(a) provided that all the following conditionsapply:

(1) the office holder acted in good faith and neither the actnor the approval of the act prejudices the benefit of thecompany;

(2) the office holder disclosed the essence of his personalinterest in the act, including any substantial fact ordocument, a reasonable time before the date for discussion of the approval.

(b) The company's approval for acts that are not substantialacts shall be given in accordance with the provisions ofChapter 5 regarding the approval of transactions, and thecompany's approval for substantial acts shall be given inaccordance with the provisions of Chapter 5 regarding theapproval of extraordinary transactions; the provisions ofChapter 5 regarding the validity of transactions shall apply,mutatis mutandis, to the validity of acts.

256.

(a)The rules applying to breach of contract shall apply, mutatismutandis, to the breach of the fiduciary duty of an officeholder.

(b)Without derogating from the generality of the provisions ofsubsection (a), an office holder in breach of a fiduciary dutytowards the company shall be considered as a person inbreach of his contract with the company.

(c)A company may revoke an act done by an office holder onbehalf of the company towards another person or may claimfrom such person the compensation owed to it from theoffice holder, even without canceling the act, if such personknew of the breach of the office holder's fiduciary duty, andknew or ought to have known of the lack of approval of theact.

(d)There is a presumption that a person was not required tohave known about the lack of approval of an act asnecessitated under this Chapter if such person received confirmation from the board of directors that all consentsrequired for the act were received.

257.

Where a director becomes aware of a matter of the company inwhich an apparent breach of a law or harm to proper businessprocedures has been discovered, he shall immediately act toconvene a meeting of the board of directors as provided in section98(b)(2).

Article C: Exemption, Indemnification and Insurance

258.

(a)A company may not exempt an office holder from liabilityfor breach of his fiduciary duty towards it.

(b)A company may exempt an office holder from liability forbreach of his duty of care towards it only in accordancewith the provisions of this chapter.

(c)A company may indemnify or insure the liability of anoffice holder only in accordance with the provisions of thisChapter.

259.

A company may exempt in advance an office holder from liability inwhole or in part, for damage flowing from breach of his duty of caretowards it, if a provision to that effect is laid down in the articles ofassociation.

260.

(a) A company may, if one of the provisions specified insubsection (b) is laid down in the articles of association,indemnify an office holder for debts or expenses asspecified in paragraphs (1) and (2) imposed upon suchoffice holder due to an act done by virtue of his being anoffice holder of the company:

(1) a financial liability imposed upon him for the benefit ofanother person pursuant to a judgment, including ajudgment given in the matter of a compromise or anarbitral award approved by the court;

(2) reasonable litigation expenses, including attorney's fees,incurred by the office holder or charged to him by thecourt, in a proceeding filed against him by or on behalfof the company or by any other person, or for a criminalcharge from which he was acquitted or for a criminalcharge in which he was found guilty of an offense notrequiring proof of criminal intent.

(b) A provision in the articles of association regardingindemnity may be one of the following:

(1) a provision permitting the company to give anundertaking in advance to indemnify its office holder,provided that such undertaking be limited to types of events that in the opinion of the board of directors can beforeseen at the time of granting the undertaking toindemnify, and to a sum determined by the board of directors as reasonable in the circumstances of the case(hereinafter an "indemnity undertaking");

(2) a provision permitting the company to indemnify itsoffice holder ex post facto (hereinafter "authorization forindemnity").

261.

A company may, if an appropriate provision has been laid down inthe articles of association, enter into a contract to insure the liabilityof an office holder therein for obligation imposed upon him due toan act performed by him by virtue of his being an office holder, inany of the following instances:

(1) breach of duty of care towards the company or towards anyother person;

(2)breach of fiduciary duty towards the company, provided thatthe office holder acted in good faith and had reasonablefoundation for presuming that the act would not harm thegood of the company;

(3)a financial liability imposed upon him for the benefit ofanother person.

262.

(a) In a private company the shares of which are divided intoclasses, the resolution to include a provision in the articlesof association regarding an exemption or indemnity shallrequire the approval of a class meeting in addition to theapproval of the general meeting.

(b) In a public company in which an office holder is a holder ofcontrol as defined in section 268, the resolution of thegeneral meeting to include a provision in the articles ofassociation regarding an exemption, indemnity or insuranceshall require the approval of shareholders who do not havepersonal interests in the approval of the resolution, asrequired for an extraordinary transaction, pursuant to the provisions of section 275(3)(a), in addition to the

majorityrequired for alteration of the articles of association.

263.

Neither a provision of the articles of association permitting thecompany to enter into a contract to insure the liability of an officeholder, nor a provision in the articles of association or a resolutionof the board of directors permitting the indemnification of an officeholder, nor a provision in the articles of association exempting anoffice holder from liability towards the company shall be valid,where such insurance, indemnification or exemption relates to oneof the following:

(1) breach of fiduciary duty, other than as provided in section261(3);

(2) breach of a care committed intentionally or

(3) an act done with intent to make unlawful personal profit;

(4) a fine or forfeit imposed upon such office holder.

264.

(a)A provision in the articles of association or in a contract orstipulated in any other manner purporting to contract out ofthe provisions of this article, directly or indirectly, shall beinvalid.

(b)An undertaking to indemnify or to insure the liability of anoffice holder due to the breach of a fiduciary duty towardsthe company shall not be valid, nor shall an office holderaccept, directly or indirectly, such an undertaking; receivingsuch an undertaking shall constitute a breach of fiduciaryduty.

Chapter 4: Rights of Director

265.

(a)Every director shall have the right to inspect the documentsand records of the company and to receive copies thereof,and to examine the assets of the company, to the extentrequired for the fulfillment of his duties as a director.

(b)The company may prevent a director from examining adocument or asset of the company if the board of directorsis of the opinion that the director is acting other than ingood faith, or that such examination might harm the bestinterests of the company.

(c)The court may, on the application of an outside director,rule that the right set out in subsection (a) shall also apply tothe documents and records of any related company, if it isconvinced that the information requested is important forthe performance of his role as an outside director.

266.

(a)For the purpose of performing his functions, a director may,in special cases, receive professional advice at thecompany's expense, if coverage of the expense is approvedby the board of directors of the company or by the court.

(b)The court, when ruling on an application as provided insubsection (a), shall consider, inter alia, whether thecompany's specialists are not providing the assistancerequired by the director for the purpose of performing hisfunction, and the reasonableness of the sum requested,taking into account the reason for seeking advice and thefinancial status of the company.

267.

(a) Where a director has reasonable cause to presume that anact is about to be performed by an office holder whichmight constitute a breach of the office holder's duty, he may, after acting as provided in section 257 if thecircumstances so permit, apply to the court with a requestthat it enforce the duty or prevent the act; the court may grant an order preventing the act or any other remedy that itmay see fit in the circumstances of the case.

(b)Unless otherwise ruled by the court, the company shall bearall expenses incurred by a director who applied to the courtpursuant to the provisions of this section, including courtfees and advocates' fees, on the date determined by thecourt.

Chapter 5: Transactions with Interested Parties

268.

In this Chapter, "holder of control" - a holder of control as defined in section 1, including a person who holds twenty-five percent ormore of the voting rights in the general meeting of the company ifthere is no other person who holds more than fifty percent of thevoting rights in the company; for the purpose of a holding, two ormore persons holding voting rights in a company each of which hasa personal interest in the approval of the transaction being broughtfor approval of the company shall be considered to be joint holders.

269.

(a) An office holder in a company or a holder of control in apublic company who is aware that he has a personal interestin an existing or proposed transaction of the company shalldisclose the nature of his personal interest to the companywithout delay, including any substantial fact or document,no later than the meeting of the board of directors in whichthe transaction is first discussed.

(b) The provisions of subsection (a) shall not apply when thepersonal interest stems only from the existence of thepersonal interest of a relative in a regular transaction.

(c) An interested party, as defined in section 270(5), who isaware that he has a personal interest in a substantial privateplacement shall disclose the substance of his personalinterest to the public company without delay, including anysubstantial fact or document.

270.

The following transactions of a company require approval as set outin this Chapter, provided that the transaction does not harm the bestinterests of the company:

(1)a transaction by a company with an office holder thereof,and a transaction of a company with another person inwhich an office holder in the company has a personal interest; however, an office holder of a parent company aswell as a wholly owned and controlled subsidiary thereofshall not be considered as having a personal interest in atransaction between the parent company and the subsidiarysolely for the reason of his being an office holder of both ofthem;

(2)the grant of an exemption, insurance, undertaking toindemnify or indemnification under a permit to indemnify toan office holder who is not a director;

(3)conclusion of a contract by a company with a directorthereof as to the terms of his office, including the grant ofan exemption, insurance, undertaking to indemnify orindemnification under a permit to indemnify, and theconclusion of a contract by a company with a directorthereof as to the terms of his employment in other positions (hereinafter "terms of office and of employment");

(4)an extraordinary transaction of a public company with aholder of control therein, or an extraordinary transaction ofa public company with another person in which the holderof control has a personal interest, including a privateplacement that is an extraordinary transaction; as well asthe conclusion of a contract by a public company with aholder of control of it, if such person is also an office holder thereof - as to the conditions of his office and employment,and if he is an employee of the company but not an officeholder thereof - as to his employment by the company;

(5)a private placement as a result of which the holdings of asubstantial shareholder in securities of the company willincrease or as a result of which a person will become asubstantial shareholder after the issue (hereinafter "aninterested party"); for the purpose of holding, securitieswhich are convertible into or realizable as shares held bysuch person or issued to him pursuant to the privateplacement, shall be considered as having been converted orrealized.

271.

A transaction in which the provisions of section 270(1) exist, otherthan an extraordinary transaction, shall require the approval of theboard of directors, unless some other manner of approval isprescribed in the articles of association. Extraordinarytransactions withoffice holders

272.

(a) A transaction of a company to which the provisions ofsection 270(1) apply, and which is an extraordinarytransaction, or to which the provisions of section 270(2)apply, shall require the approval of the audit committeefollowed by the approval of the board of directors.

(b) Where a private company does not have an audit committee,the transaction shall require the approval of the board ofdirectors only, if the office holder is not a director, and ifthe office holder is a director, the transaction shall alsorequire the approval of the general meeting.

273.

A transaction by a company to which the provisions of section270(3) apply shall require the approval of the board of directorsfollowed by the approval of the general meeting, and in a publiccompany, the transaction shall require the approval of the auditcommittee followed by the approval of the board of directors.

274.

A substantial private placement shall require the approval of theboard of directors followed by the approval of the general meeting.

275.

(a) A transaction to which the provisions of section 270(4)apply shall require the approvals by those mentioned below,in the following order:

(1) the audit committee;

(2) the board of directors;

(3) the general meeting, provided that one of thefollowing applies:

(i)in a count of votes, the majority in thegeneral meeting includes at least one third of all of the votes of thoseshareholders that do not have a personal interest in the approval of thetransaction, who are present at themeeting; in a count of all of the votesof such shareholders, abstentions shall not be taken into account;

(ii) the total of opposition votes amongstthe shareholders referred to in subparagraph (a) above shall not be greaterthan one percent of all the voting rights in the company.

(b) The Minister may determine rates other than thoseprescribed in subsection (a)(3)(b).

276.

A shareholder participating in a vote under section 275 shall notifythe company prior to the vote in the meeting, or, if the vote is byway of voting papers, on the voting paper, whether or not he has apersonal interest in the approval of the transaction; where ashareholder does not so notify, he shall not vote and his vote shallnot be counted.

277.

Where the conditions prescribed for more than one of thealternatives in section 270 apply in respect of a transaction, thetransaction shall require approvals in accordance with theprovisions applying to each alternative.

278.

(a) A director who has a personal interest in the approval of atransaction, other than a transaction as referred to in section271, that is brought before the audit committee or the boardof directors for approval, shall not be present during thedeliberations and shall not take part in the voting of theaudit committee or of the board of directors.

(b) Notwithstanding the provisions of subsection (a), a directormay be present at a deliberation of the audit committee andmay take part in the voting if the majority of the members ofthe audit committee have a personal interest in the approvalof the transaction; likewise, a director may be present at thedeliberations of the board of directors and may take part inthe voting if the majority of the directors of the companyhave a personal interest in the approval of the transaction.

(c) Where the majority of the directors on the board of directorsof a company have a personal interest in the approval of atransaction as aforesaid in subsection (a), the transactionshall also require the approval of the general meeting.

279.

The audit committee of a public company shall not be permitted togrant an approval required under this Chapter, unless, at the time ofthe grant of the approval, two outside directors are sitting on thecommittee, and at least one of those was present at the deliberationsin which the committee resolved to grant the approval.

280.

(a) A transaction of a company with an office holder thereof oran extraordinary transaction by a public company with aholder of control thereof shall not be valid in respect of thecompany or the office holder or holder of control if thetransaction is not approved in accordance with theprovisions of this Chapter or if a substantial defect hasoccurred in the approval process, or if the transaction waseffected in a way that deviated substantially from the termsof the approval.

(b) A transaction referred to in subsection (a) shall likewise notbe valid in respect of any other person if such person knewof the personal interest of the office holder or of the holderof control in the approval of the transaction, and knew orought to have known of the lack of approval of suchtransaction as required under this Chapter.

281.

A company may revoke a transaction with another person requiringapproval as provided in this

Chapter, other than a transaction asprovided in section 271, and it may claim compensation from suchperson for damage caused to it even without revoking thetransaction, if such person knew of the personal interest of an officeholder of the company in the approval of the transaction or of thepersonal interest of the holder of control of the public company inthe approval of the transaction, and knew or ought to have known ofthe lack of approval of the transaction as required by this Chapter.

282.

It shall be presumed that a person ought not to have known of thelack of approval of a transaction as required under this Chapterwhere such person has received the confirmation of the board ofdirectors to the fact that all of the approvals required for thetransaction have been obtained.

283.

(a)An office holder who fails to disclose a personal interest asprovided in section 269 shall be considered to be in breachof fiduciary duty; a holder of control of a public companywho does not disclose his personal interest as provided inthat section shall be considered to have been in breach ofduty to act fairly.

(b)Where an interested party is in breach of the duty ofdisclosure as provided in section 269 or where a shareholderfails to disclose his personal interest as provided in section276, the company may claim compensation from suchperson for the damage caused to it due to the failure todisclose.

284.

The Minister, upon consultation with the Securities Authority, maydetermine that the provisions of this Chapter shall not apply tovarious types of transactions.

Part VII: Capital of the Company

Chapter 1: Securities and Transactions Therein

Article A: Freedom to Diversify

285.

A company may have shares, debentures or other securities, each ofwhich may have different rights attached.

Article B: Registered Share Capital

286.

The general meeting may increase the registered share capital of acompany in classes of shares, as it may determine.

287.

The general meeting may cancel unalloted registered share capital, provided that the company is under no obligation, including acapital conditional obligation, to allot such shares.

Article C: Issue of Securities

288.

The board of directors may issue shares and other securities,convertible into or realizable as shares, up to the limit of thecompany's registered share capital; for this purpose, convertiblesecurities or securities realizable as shares shall be considered tohave been

converted or realized on the date of issue.

289.

(a) The board of directors may resolve to issue a series ofdebentures within the scope of its power to borrow onbehalf of the company, and within the bounds of suchpower.

(b) The provisions of subsection (a) shall not negate the powerof the general manager, or a person authorized by him forsuch purpose, from borrowing on behalf of the company,from issuing single debentures, promissory notes or bills ofexchange, within the bounds of his power to do so.

290.

(a) In a private company, the issued capital of which containsone class of shares, shares shall be offered to eachshareholder in accordance with the proportion of eachshareholder's holding of the issued share capital; the boardof directors may offer another person the shares that ashareholder refused to purchase or did not accept a tenderoffer before the final date fixed for such in the offer, unless otherwise prescribed in the articles of association.

(b) A company incorporated prior to the commencement of thisLaw which in its articles of association has contracted outof article (4) of the Second Schedule to the CompaniesOrdinance, in the version that was in force prior to the commencement of this Law, shall be considered to havecontracted out of subsection (a) in its articles of association.

291.

A company shall not allot a share the consideration for which, inwhole or in part, is not paid up in cash, unless the consideration forthe share is specified in a written document.

292.

A private company must, within fourteen days of an allotment ofshares, provide the Registrar with the following documents:

(1) a report, in the form prescribed by the Minister, specifyingthe details of the allotment;

(2) in allotments to which the provisions of section 291 apply -a copy of the document as referred to in that section.

Article D: Transfer of Securities

293.

Every security shall be presumed to be transferable, in accordancewith the provisions of this Law.

294.

A company may lay down provisions in its articles of associationlimiting the transferability of shares, under conditions prescribed inthe articles of association.

295.

A part of a share may not be transferred, but a single share mayhave several joint owners, each of which may transfer his or herrights, unless such right is restricted in the articles of association.

296.

(a) A bearer security is a security the full consideration forwhich has been paid to the company, and in respect ofwhich a share warrant attesting thereto has been issued.

(b) The holding of a share shall be prima facie evidence ofownership thereof.

297.

A bearer security is a negotiable instrument, the transfer of which iseffected by delivery of the warrant to the transferee.

298.

The provisions of section 34 of the Sale Law, 5728-19689, shallapply to a person purchasing a security in the course of trade on astock exchange, and such person shall be considered to be apurchaser from one who deals in the sale of assets of that kind andthe sale shall be considered to have taken place in the ordinary course of business of such person.

299.

A company shall alter the registration of ownership of shares in theregister of shareholders as provided in section 130(a)(1), in each ofthe following circumstances:

(1)a deed of transfer of the share was delivered to the companysigned by the transferor and the transferee, and anyrequirements of the articles of association have beencomplied with;

(2)a court order requiring the amendment of the register wasdelivered to the company;

(3)it has been proven to the company that the legal conditionsfor assigning the right have been fulfilled;

(4)any other condition, sufficient, under the terms of thearticles of association in its articles of association forregistration of an alteration in the register of shareholdershas been fulfilled.

300.

(a)A private company may provide in its articles of associationthat a person entitled to by law to shares in the company,including an executor of a will, administrator of an estate,liquidator or trustee in bankruptcy, shall be required to offerfor sale the shares to which such person is entitled to thecompany or the other shareholders, in consideration fortheir fair value, as agreed between the parties, and in theabsence of such agreement, as a court may determine on theapplication of the company, or on the application of theother shareholders, all the above being subject to theprovisions of the articles of association and to theprovisions of this Law.

(b)Where the fair value of the shares has not been agreed uponand where no application has been submitted to the court,the shares shall be registered in the name of the personentitled to them, at the end of ninety days following the dateof offer made by the person entitled to the shares.

Chapter 2: Preservation and Distribution of Capital

Article A: Permitted Distribution

301.

(a)A company may only effect a distribution in accordancewith the provisions of this Chapter; however, a companymay undertake in its articles of association or in a contractnot to effect distribution under restrictions additional to theprovisions of this Chapter,.

(b) A distribution in contravention of the provisions of thisChapter shall be a prohibited distribution.

302.

(a) A company may effect a distribution of its profits(hereinafter "the profit criterion"), provided that there is noreasonable suspicion that such distribution might deprivethe company of its ability to meet its existing andanticipated liabilities when the time comes for thefulfillment thereof (hereinafter "the ability to meetliabilities criterion").

(b) In this section:

"profits" for the purpose of the profit criterion - the balanceof surplus or the surplus, accumulated over the past twoyears, whichever is the greater, in accordance with the latestadjusted financial reports, audited or surveyed, prepared bythe company, provided that the date in respect of which thereports were prepared is no earlier than six months prior tothe date of distribution;

"adjusted financial reports" - financial reports adjusted tothe index, or financial reports which replace or will replacesuch reports, in accordance with accepted accountingprinciples;

"surplus" - sums included in a company's equity originatingfrom the net profit of the company, as determined accordingto accepted accounting principles, and other sums includedin the equity under accepted accounting principles otherthan share capital or premiums that are to be consideredsurplus, as prescribed by the Minister.

(c) The Minister may lay down provisions regardingpresumptions as to the fulfillment by a company of theconditions of the ability to meet liabilities criterion, and exemptions or alleviations regarding adjustment of thefinancial reports.

303.

(a) The court may, on the application of a company, allow it toeffect a distribution in respect of which the profit criterionis not fulfilled, provided that the court is convinced thatthere is no reasonable suspicion that such distribution mightprevent the company from being able to meet its existingand anticipated liabilities when the time comes for suchpayment.

(b) A company shall notify its creditors of the submission of anapplication to the court as provided in subsection (a), in themanner prescribed by the Minister.

(c) A creditor may apply to the court and oppose theapplication of a company to permit it to effect a distribution.

(d) The court may, after having given the opposing creditors theopportunity to put their case, approve the company'sapplication, in whole or in part, reject it or make theapproval of it conditional.

304.

(a) Where a company decides to allot shares with a nominalvalue for consideration of less than their nominal value,including bonus shares, it must convert part of its profits, asdefined in section 302(b), from share premiums or any othersource included in its equity set out in its latest financialreports into share capital, in the sum equal to the differencebetween the nominal value and the actual consideration.

(b) The court may, on the application of a company, permit it toeffect an allotment of shares for consideration of less thanthe nominal value of the shares, other than in accordancewith subsection (a), on such conditions as it may prescribe.

305.

The Minister may prescribe provisions for the implementation ofthis Chapter.

Article B: Dividend

306.

(a) A shareholder shall have the right to receive a dividend, orbonus shares, if the company passes a resolution to thateffect.

(b) Where there are shares in the capital of the company withdifferent nominal values, dividends or bonus shares shall bedistributed relative to the nominal value of each share,unless otherwise provided in the articles of association.

307.

The resolution of a company to pay a dividend shall be passed bythe board of directors of the company; however, the company mayprescribe in its articles of association that the resolution be passedin one of the following ways:

(1)at the general meeting, having been brought before it uponthe recommendation of the board of directors; the generalmeeting may accept the recommendation or reduce the sum,but may not increase it;

(2)at the board of directors of the company, after the generalmeeting has determined the maximum amount of thedistribution;

(3)in such other manner as may be determined in the articles ofassociation, provided that the board of directors is given aproper opportunity to determine that the distribution is not aprohibited distribution before it is effected.

Article C: Purchase

308.

Where a company purchases one of its own shares, the share shall not afford any rights (hereinafter "a dormant share") for so long asthe dormant share is owned by the company.

309.

(a) A subsidiary or other corporation in control of a parentcompany (in this section the "purchasing corporation"), maypurchase shares of the parent company to the same extent asthe parent company may effect distributions, provided thatthe board of directors of the subsidiary or the managers ofthe purchasing corporation have determined that if thepurchase of the shares were to be effected by the parentcompany, it would be considered a permitted distribution.

(b) Where a share in a parent company is purchased by asubsidiary or by a purchasing corporation, such share shallnot afford any voting rights for so long as the share isowned by the subsidiary company or by the purchasingcorporation.

(c) Where a prohibited distribution is effected, restitutionreferred to in section 310 shall be effected to the subsidiaryor to the purchasing corporation, and the provisions ofsection 311 shall apply, mutatis mutandis, to the directors of the subsidiary and the managers of the purchasingcorporation; however, if the board of directors of the parentcompany resolves that the distribution is permitted, the liability shall fall on the directors of the parent company, asset out in section 311.

(d) Notwithstanding the provisions of subsection (a), a purchaseby a subsidiary company or by a purchasing corporation thatis not wholly owned by the parent company shall be adistribution of the product of the purchase money and therights in the capital of the subsidiary or in the capital of thepurchasing corporation held by the parent company.

Article D: Prohibited Distribution

310.

(a) Where a company effects a prohibited distribution, theshareholder shall restore what he received to the company,unless the shareholder did not know and ought not to haveknown that the distribution effected was prohibited.

(b) It is to be presumed that a shareholder in a public companywho is not also a director, general manager or holder ofcontrol of the company at the time of the distribution, didnot know or ought not to have known that the distribution effected by the company was a prohibited distribution.

311.

Where a prohibited distribution is effected in a company, anyperson who is, at the date of the distribution, a director, shall beconsidered to have thereby committed a breach of his fiduciary dutyto the company, unless he proves one of the following:

(1) that he objected to the prohibited distribution and took allreasonable steps to prevent it;

(2) that he reasonably and in good faith relied on informationthat, but for its being misleading, the distribution wouldhave been permitted;

(3) that in the circumstances of the case, he did not know norought to have known of the distribution.

Article E: Redeemable Securities

312.

(a) Notwithstanding the provisions of section 302, a companymay include in its articles of association a provisionpermitting it to issue securities subject to redemption onsuch conditions as may be prescribed in such provisions(hereinafter "redeemable securities").

(b)Where a company issues redeemable securities, it mayredeem them and the restrictions laid down in this Chaptershall not apply to such redemption.

(c)Where a company has issued redeemable securities, it mayattach to them the attributes of shares, including votingrights and the right to participate in profits.

(d)Redeemable securities shall not be regarded as part of thecompany's equity, whatever they are called, unless the rightto redeem them is limited to the case of winding up of thecompany, after payment of all of the debts of the companyto its creditors upon winding up; where the right to redeemshares is limited as aforesaid, the provisions of this Lawshall apply for the purpose of distribution, notwithstandingthe provisions of subsection (b).

313.

Redeemable shares allotted under section 141 of the CompaniesOrdinance, in the version that was in force immediately prior to thecommencement of this Law, shall be considered as part of thecompany's capital, and it shall be possible to redeem them subjectto the provisions of this Chapter, on the conditions and in themanner laid down in the articles of association.

Part VIII: Acquisition of Companies

Chapter 1: Merger

314.

Merger shall require the approval of the board of directors and ofthe general meeting, in each of the merging companies, inaccordance with the provisions of this Chapter.

315.

(a) The board of directors of a merging company, inconsidering whether to approve the merger, shall deliberateand determine, taking into account the financial situation ofthe merging companies, whether in its opinion there is areasonable suspicion that the surviving company will not beable to pay its debts to its creditors following the merger.

(b)Where the board of directors determines that there is asuspicion as referred to in subsection (a), it shall notapprove the merger.

316.

Where each of the boards of directors of the merging companies hasapproved the merger, they shall jointly draw up a proposal for theapproval of the merger (hereinafter "the merger proposal"), andshall sign it.

317.

(a) A merging company shall forward the merger proposal tothe Registrar of Companies within three days of the date ofconvening of the general meeting.

(b) A merging company shall notify the Registrar of Companiesof the resolution of the general meeting, within three days ofthe date of passing of such resolution, shall inform theRegistrar of the giving of notice to creditors under section
318, and shall provide him with a copy of any court rulingunder sections 319 or 321, within three (3) days from thedate of such ruling.

318.

(a) A merging company shall send its merger proposal to thesecured creditors of the company no later than three daysafter the date of submitting of the merger proposal to theRegistrar of Companies.

(b) A merging company shall notify its unsecured creditors ofthe merger proposal and of the contents thereof as shall beprescribed by the Minister.

319.

The court may, on the application of a creditor of a mergingcompany, order the delay or prevention of the merger if it finds thatthere is a reasonable suspicion that, following the merger, thesurviving company will not be able to pay the debts of the mergingcompany, and it may make orders ensuring the rights of the creditors.

320.

(a) Merger shall require the approval of the general meeting ofeach of the merging companies.

(b) Where shares in the absorbed company are divided intoclasses, the merger shall also require the approval of classmeetings of the absorbed company.

(c) In voting at the general meeting of a merging company theshares in which are held by the other merging company orby a person holding twenty-five percent or more of any kindof means of control in the other merging company, themerger shall not be approved if a majority of theshareholders present at the vote who are not either part ofthe other merging company, the person so holding oranyone acting on behalf of either of these, includingrelatives or

corporations under their control, are opposed toit.

(d) Where a person holds twenty-five percent or more of anykind of means of control in a number of merging companies,the merger proposal shall require approval in accordancewith the provisions of subsection (c) in each of the saidmerging companies.

(e) Shareholders taking part in the vote shall notify thecompany prior to the vote, or, if the vote is by way of votingpaper, on the voting paper, whether their shares are held bythe other merging company or by a person set out insubsection (c), or not so held; a shareholder who fails tonotify as aforesaid, shall not vote and his vote shall not becounted.

(f) The provisions of section 275(a)(3) shall not apply to amerger proposal requiring approval as provided insubsection (c).

321.

(a) Where the general meeting of a merging company approvesa merger proposal under section 320(a), the court may, onthe application of the shareholders holding at least twenty-five percent of all the voting rights in the company, rule thatthe company has approved the merger even if the mergerwas not approved by the entire general meeting of themerging company under section 320(b) or even if themerger proposal did not gain the majority required in thegeneral meeting of the merging company under section320(c).

(b) The court shall not confirm an application to approve amerger unless it is convinced that the merger proposal is fairand reasonable, taking into account the estimation of thevalue of the merging companies, and the considerationoffered to the shareholders.

322.

Where a company receives a notice from the Controller ofRestrictive Business Practices, as defined in the Restrictive TradePractices Law, 5748-198810, the company shall notify the Registrar,within three days of the date of receipt of such notice, whether thenotice may delay the effecting of the merger, prevent it or removesuch delay or prevention; where notice has been received by theRegistrar of Companies of a prevention or delay, the merger shallnot be effected so long as such prevention or delay has not beenremoved.

323.

Where the Registrar of Companies has received all the approvalsrequired under this Chapter for merger from each of the mergingcompanies, and seventy days have passed since the date on whichthe merger proposals were produced to the Registrar of Companies,the merger shall be effected as follows:

(1)all the assets and liabilities of the absorbed company,including conditional, future, known and unknownobligations, shall be transferred to and vested in thesurviving company;

(2)the surviving company shall be regarded as the absorbedcompany in respect of any legal proceedings, includingexecution proceedings;

(3)the Registrar shall transfer the register of charges, asdefined in section 181 of the Companies Ordinance, of theabsorbed company, to the register of charges of the surviving company;

(4)the absorbed company shall be liquidated and the Registrarshall strike it from the Register;

(5)the Registrar shall provide the surviving company with acertificate evidencing the merger and shall register the factof the merger in the records of the surviving company.

324.

The provisions of this Chapter shall not preclude a company fromundertaking by contract or undertaking in its articles of associationto refrain from effecting mergers or making the effecting of mergersconditional.

325.

A floating charge over all or some of the assets of one mergingcompany imposing a limitation on the right of the company to createcharges shall not have preference over a charge created in the othermerging company prior to the merger.

326.

The Minister may prescribe provisions for implementing thisChapter, including provisions in respect of details to be included inthe merger proposal and regarding the additional rights in respect ofinformation to be provided to creditors or to classes of creditors,and in respect of the registration of transactions stemming from themerger; regarding a public merging company, such provisions shallbe prescribed after consultation with the Securities Authority.

327.

(a) A company that was incorporated prior to thecommencement of this Law shall be deemed to haveincluded a provision in its articles of association to theeffect that the approval of a merger requires a majority ofthree quarters of the persons present and voting at thegeneral meeting of the company, and the provisions ofsection 20 shall apply.

(b) Where floating charges have been imposed, at least one ofwhich was created prior to the commencement of this Law,over the assets of a number of merging companies, such thatafter the merger it will not be possible to distinguishbetween the assets subject to each floating charge, thefloating charges shall crystallize upon the merger, unless theconsent of the creditors whose rights are secured by suchcharges is obtained for the amendment of the charges insuch a way as to create a distinction between the assetssubject to each charge, or a division of the consideration from realization of the assets subject to such charges.

Chapter 2: Special Tender Offer

328.

(a) In a public company, no purchase shall be effected as aresult of which a person shall become a holder of a controlblock if there is no such holder in the company; likewise nopurchase shall be effected as a result of which the purchaser's holdings shall increase above forty-five percentof the voting rights in the company if there is no otherperson holding more than one-half of the voting rights in thecompany, other than by way of a tender offer in accordancewith the provisions of this Chapter (hereinafter "a specialtender offer").

(b)The provisions of subsection (a) shall not apply to thepurchase of shares under a private placement.

(c)The provisions of this Chapter shall apply to a specialtender offer, in addition to the provisions of any lawregarding tender offers that are not consistent with the provisions of this Chapter.

329.

Where a special tender offer has been made, the board of directorsof the target company shall give its opinion to offerees regarding theadvisability of the special tender offer, or shall refrain from givingits opinion on the advisability of the special tender offer, if it isunable to do so, provided that it reports the reasons for its not sodoing; the board of directors shall

disclose all personal interests of each of the directors in or stemming from the tender offer.

330.

(a) An office holder in a target company who does an act byvirtue of his office, other than acts referred to in subsection(b), the purpose of which is to forestall an existing oranticipated special tender offer, or to harm the chances of itsbeing accepted, shall be liable to the offeror and the offereesfor any damage resulting from his acts, unless he acted ingood faith and had reasonable grounds for presuming thatthe act done by him was for the good of the company.

(b) An office holder may negotiate with an offeror for theimprovement of the conditions of his offer, and maynegotiate with others in order to make a counter-offer.

331.

(a) A special tender offer shall be made to all offerees and theofferees may notify their consent to the special tender offeror of their objection to it.

(b) A special tender offer shall only be accepted by a majorityof the votes of those offerees who gave notice of theirposition in respect of the offer.

(c) In counting the votes of offerees, the votes of a holder of acontrolling interest in the offeror, a holder of a control blockin the company, or any person acting on their or on theofferor's behalf, including their relatives or corporationsunder their control, shall not be taken into account.

(d)Where a special tender offer has been accepted, offereeswho have not given notice of their position in respect of thetender offer, or who have objected to it, may consent to theoffer, no more than four days after the last day for accepting the tender offer, or on such other date as the Minister mayprescribe in this respect, and they shall be considered tohave consented to the offer from the outset.

332.

A special tender offer shall not be accepted unless shares conferring at least five percent of the voting rights in the company have beenpurchased.

333.

(a) Shares purchased in contravention of the provisions of thisChapter shall not confer any rights and shall be dormantshares, as defined in section 308, for so long as they areheld by the purchaser.

(b) Without prejudice to the provisions subsection (a), wherethe rate of a person's holdings of voting rights increases,otherwise than due to a purchase under the provisions ofsection 328, to a rate conferring on him a control blockwhere there is no owner of a control block in the company,or a rate higher than forty-five percent of the voting rights inthe company if there is no other person holding more than half of the voting rights in the company, inter alia, as aresult of the shares in the company having become dormantfollowing a distribution, voting rights shall not be conferredon shares held by such person at a rate of more than twenty-five percent or forty-five percent, as the case may be, for solong as they are held by him.

(c) The infringement of the provisions of this Chapter shall be abreach of statutory duty towards the shareholders of thecompany.

334.

Where a special tender offer has been accepted, the offeror, anyperson controlling the offeror on the date of the offer, and anycorporation controlled by them, shall not, for a period of one

yearfollowing the date of the tender offer, make another tender offer forpurchase of shares in the company, and they shall not effect amerger of the company unless they undertook to do so in the special tender offer.

335.

The Minister, after consulting with the Securities Authority, maymake provisions for the implementation of this Chapter, includingprovisions in respect of the manner of delivery of the special tenderoffer to offerees, and the receipt of their notices, and in particular,the Minister may apply the provisions concerning voting papers,and may prescribe the dates for holding special tender offers and thedate for giving the opinion of the board of directors.

Chapter 3: Forced Sale of Shares

Article A: Purchase of Shares of the Minority by Holder of Control in a Public Company

336.

(a) A person shall not purchase shares or a class of shares in a public company that are listed for trading on a stockexchange in such a way that after the purchase he holdsmore than ninety percent of the shares or of the class ofshares in the public company, other than by way of a tenderoffer of all of the shares or class of shares (hereinafter "acomplete tender offer"), accepted under the provisions of this Chapter.

(b) Where a person holds more than ninety percent of all of theshares in a public company, as set out in subsection (a), orof a class of shares, he shall not purchase any further shares,for so long as he holds such amount of shares.

337.

(a) Where a complete tender offer is accepted by the offerees insuch a way that the rate of holding of the offerees who didnot accept the offer is less than five percent of the issuedshare capital or the issued capital of a class of shares in respect of which the offer was made, all of the shares thatthe offeror sought to purchase shall be transferred to himand the records of ownership of the shares shall be amendedaccordingly.

(b) Where a complete tender offer is not accepted as referred toin subsection (a), the offeror shall not purchase shares fromofferees who have accepted the offer that will confer on hima holding of more than ninety percent of all the shares in the company or of all of a class of shares in respect ofwhich the offer was made.

338.

(a)The court may, on the application of any offeree in acomplete tender offer accepted as aforesaid in section337(a), rule that the consideration for the shares was lessthan their fair value, and that the fair value should be paidas determined by the court.

(b)An application as aforesaid in subsection (a) shall besubmitted no later than three months after the date of receiptof the complete tender offer; application may be made tosubmit an application referred to in subsection (a) in theform of a class action and the provisions of section 209shall apply thereto.

339.

Where a full tender offer is accepted in accordance with theprovisions of this Article, and the offer was for the single class of shares in the company or for any of the classes of shares in thecompany held by the public, the company shall become a privatecompany.

340.

(a) Shares purchased in contravention of the provisions of thisChapter shall not confer rights and shall be dormant shares,as defined in section 308, for so long as they are held by thepurchaser.

(b)The infringement of the provisions of this Chapter shall be abreach of statutory duty towards the shareholders of thecompany.

Article B: Power to Purchase the Shares of OpposingShareholders in a Private Company

341.

(a) Where a person offers to purchase shares or a class of shares in a private company (in this Article "the offeror"),and the shareholders who own eighty percent of the sharesto be transferred have consented within two months to the offer, the offeror may, one month after the end of the saidtwo months, give notice, in the manner to be prescribed bythe Minister, to every shareholder who did not consent tothe offer (in this Article "the opposing shareholder"), statingthat he wishes to purchase their shares; in counting the saidshareholders, a person having control of the offeror or aperson acting on behalf of such person or of the offeror, including relatives or corporations controlled by them, shallnot be taken into account.

(b)Where the offeror gives notice as referred to in subsection(a), the opposing shareholders must sell their shares and theofferor must purchase them, under the terms offered to theshareholders who consented to the transfer, unless the court decides otherwise on the application of an opposingshareholder submitted within one month of the date of thenotice.

(c)Where the offeror gives notice as referred to in subsection(a) and no other decision of the court has been made, theofferor shall, at the end of one month after the date of hisnotice, and if at such time an application by an opposingshareholder is pending in court, after the court has givenjudgment, send a copy of his notice to the company andshall transfer the consideration for the shares that he isrequired to purchase under this section to the company, andthe company shall register the offeror as holder of suchshares.

(d)It shall be permitted to prescribe a rate different from thatset out in subsection (a) in the articles of association; aresolution to amend the articles of association as aforesaidshall be passed as provided in section 20.

342.

A company incorporated prior to the commencement of this Lawshall be treated as if its articles of association contain a provision tothe effect that confirmation of the offer referred to in section 341shall require a majority of those shareholders holding ninety percentof the shares to be transferred.

Part IX: General Provisions

Chapter 1: Alteration of Class of Corporation

343.

(a) A private company that has become a public company or apublic company that has become a private company shallgive notice thereof to the Registrar of Companies withinfourteen days of the date of change.

(b) The Minister, after consulting with the Securities Authority,may make provisions in respect of the implementation ofthis section, including provisions regarding the documentsto be transferred from the Registrar of Companies to theSecurities Authority or from the Authority to

the Registrar.

344.

(a) A company in which the liability of its shareholders is notlimited may alter its articles of association and prescribe,with the approval of the court on an application undersection 350(a), and on such conditions as the court mayprescribe, that the liability of the shareholders is limited; theMinister may make provisions regarding the implementationof this section.

(b) A company in which the liability of shareholders is limitedmay alter its articles of association with the consent of all itsshareholders and determine that the liability of shareholdersshall not be limited.

345.

(a) A registered cooperative society (in this section "a society")seeking to be registered as a company, shall prepare a planfor organization as a company and shall submit it for theapproval of the Registrar of Cooperative Societies as defined in the Cooperative Societies Ordinance11 .

(b) The Minister, in consultation with the Minister of Labor andWelfare, may prescribe conditions under which theRegistrar of Cooperative Societies may approve a plansubmitted to him pursuant to the provisions of subsection(a), including conditions the aim of which is to ensure thatthe position of creditors of the society shall not be impaired.

(c) Where the Registrar of Cooperative Societies has approvedof the plan, the plan shall be brought for approval by thegeneral meeting of the society, of which notice, setting outthe details of the plan, has been delivered according to thelaw twenty-one days prior to the meeting; where the plan isaccepted by at least a three-quarters majority of themembers entitled to vote and who voted in person or by proxy, articles of association shall be drawn up inaccordance with this Law and upon submission of anapplication for registration, a copy of the articles of association shall be delivered to the Registrar of Companiesand the fees prescribed by the Minister shall be paid.

(d) Where the Registrar of Companies has approved theregistration, he shall give notice thereof to the Registrar ofCooperative Societies, who shall delete the registration ofthe society as a cooperative society and shall publish anotice to that effect in Reshumot; after such deletion, theRegistrar of Companies shall register the society as acompany.

(e)Upon registration of the society as a company, the Registrarof Cooperative Societies shall provide the Registrar ofCompanies with an extract of all the entries on the registerof charges regarding charges created by the society prior toits being registered as a company, which existed at the timeof registration, and of all documents held by the Registrar ofCooperative Societies creating or evidencing such charges,and the Registrar of Companies shall register the chargesand the details in the extract relating to each charge withoutcollecting a fee.

(f)All of the assets and liabilities of the society, includingknown and unknown liabilities, existent and contingent,shall be transferred upon registration to the company, andall legal proceedings to which the society is a party may becontinued in such a way that the company shall be party tothem.

Chapter 2: Foreign Companies

346.

(a) A foreign company shall not keep a place of business inIsrael, and in particular shall not maintain an office for thetransfer of shares or for the registration of shares, unlessregistered as a foreign company under the provisions of thissection and unless it pays the registration and

publicationfees prescribed by the Minister under this section.

(b) The application for registration shall be submitted to theRegistrar within one month of setting up a place of businessand the following documents shall be attached thereto:

(1) a copy and translation into Hebrew, confirmed inthe manner prescribed by the Minister, of thedocuments under which the company isincorporated or pursuant to which it operates, asrequired under the laws of the country in which it isincorporated, including its articles of association, ifany;

(2) a list of the directors of the company;

(3) the name and address of a person resident in Israelwho is authorized to receive judicial documents onbehalf of the company, and to receive noticesissued to the company;

(4) a copy certified in the manner prescribed by theMinister, of a power of attorney authorizing aperson normally resident in Israel to act on behalfof the company in Israel.

(c) Where an alteration occurs in a document or a change of thedirectors or the name or address of one of the personsreferred to in paragraphs (3) and (4) of subsection (b) isaltered, the company shall give notice thereof to theRegistrar within fourteen days of the date of the change.

(d) The Minister may prescribe additional documents that aforeign company must attach to an application forregistration and must notify the Registrar of any changestherein.

347.

A judicial document or notice required to be served on a foreigncompany registered in Israel shall be considered to have been servedin accordance with the law if addressed to the authorized personnotified to the Registrar as referred to in section 346 and left at theaddress notified as aforesaid, or sent there by mail.

348.

A foreign company shall file, once a year, an annual report asprescribed by the Minister.

349.

A foreign company in breach of the provisions of section 346(a), aswell as any office holder thereof who is party to such breach, shallbe subject to a fine in accordance with section 61(a)(2) of the PenalLaw 5737-197712, and, in the case of an ongoing breach, shall besubject to a further fine in accordance with section 61(c) of the saidLaw for every day on which the breach continues, from the date that the company receives a notice from the Registrar of Companies.

Chapter 3: Compromise or Arrangement

350.

(a) Where a compromise or arrangement are proposed betweena company and its creditors or shareholders, or between acompany and any particular class of creditors orshareholders, the court may, on the application of thecompany, of a creditor or of a shareholder, or of a liquidatorif the company is in liquidation, order the convening of ameeting of such creditors or shareholders, as the case maybe, in such manner as the court shall order.

(b)The court to which the application for a compromise orarrangement is submitted as referred to in subsection (a) (inthis Chapter "the plan") may, if it is convinced that thiswould assist in drawing up or approving a plan aimed atreviving the company, grant an order stating that for

aperiod that shall not exceed nine months, it shall not bepossible to continue with or commence any proceedingsagainst the company, other than with the permission of thecourt, and on conditions that it may determine (in thisChapter "a stay of proceedings order").

(c)A stay of proceedings order may be granted in the presenceof the applicant alone, if the court is convinced that thecircumstances of the case so require, provided that notice ofissue of the stay of proceedings order be published and bedelivered to whomever might be prejudiced thereby, as thecourt may order.

(d)A person prejudiced by a stay of proceedings order grantedin the presence of the applicant alone may apply to the courtthat gave the order to revoke it; the court shall deal with anysuch application for revocation submitted on the same dateto be fixed for that purpose, provided that the hearing takeplace within thirty days of the date of grant of the order asaforesaid.

(e)The court may, for special reasons that it shall specify inwriting, deal with an application by a creditor to revoke astay of proceedings order even if the date laid down insubsection (d) has passed, if it is of the opinion that asignificant change has taken place in the circumstanceswhich may substantially prejudice the rights of the creditor.

(f)Where a stay of proceedings order is granted, the court shallpermit:

(1)on the application of a secured creditor - therealization of assets mortgaged to him;

(2)on the application of a creditor who is the holder ofa floating charge - the crystallization thereof;

(3)on the application of a creditor who is the holder ofa floating charge that has crystallized - therealization of one or more such assets;provided the court is of the opinion that no properprotection of the rights of the creditor in the asset has beensecured or that the realization of the mortgage or thecrystallization of the floating charge will not prejudiceconsolidation and approval of the plan.

(g)The period in which proceedings are stayed under thissection shall not be included in counting the periodsprescribed under the Companies Ordinance to the extentthat the staying of proceedings affects such periods, nor inreckoning the periods prescribed under the PrescriptionLaw, 5718-195813, unless the court orders otherwise.

(h)In subsections (b) to (g), "proceedings" - shall include aproceeding under the Execution Law 5727-196714, but shallnot include proceedings completed immediately prior to thegrant of the order even if the money received in respect ofsuch proceeding has not yet been transferred.

(i)If, in a meeting referred to in subsection (a), the majority innumber of the persons present and voting together holdingthree quarters of the value represented at the vote agree tothe compromise or arrangement, and the court approves thecompromise or arrangement, they shall bind the companyand all the creditors or shareholders, or any class of them,as the case may be, and if the company is in liquidation, theliquidator and any contributory.

(j)An order granted under subsection (b) shall not be validuntil a certified copy thereof is submitted to the Registrar ofCompanies; a copy of the order shall be attached to allcopies of the articles of association of the company issuedafter the granting of the order, and if the company does nothave articles of association, to every copy of the documentunder which the company is incorporated and pursuant to which it acts, issued as aforesaid.

(k)For the purposes of this section:

"company" - any company that may be subject to windingup under the Companies Ordinance;

"settlement" - including reorganization of the share capitalby amalgamation of shares of different classes or bydivision of shares into various classes, or by both suchways.

(1)The Minister may make provisions regarding theimplementation of this section, including provisionsregarding claims for debt and convening of meetings.13 Sefer Hachukim, 5718, p. 112; LSI, vol. 12, p. 129.14 Sefer Hachukim, 5727, p. 116; LSI, vol. 21. p. 112.

351.

(a) Where an application is submitted to the court for theapproval of a compromise or arrangement as referred to insection 350, and it is proved to the court that thecompromise or arrangement have been proposed in respectof a plan for the alteration of the structure of a company orfor the merger of companies, and that, under the plan, aconcern or assets of one of the companies (in this Chapter "the transferor company") are to be transferred to anothercompany (in this Chapter the "transferee company"), thecourt may, in an order approving the application or in anorder granted thereafter, make provision for

(1) transfer of the concern, the assets or the liabilities,of the transferor company, in whole or in part, to thetransferee company;

(2) allotment of shares, debentures, policies or othersimilar benefits in the transferee company which itis required to allot to a person under thecompromise or arrangement;

(3) continuation on behalf of the transferee company ofa pending proceeding by or against the transferorcompany;

(4) dissolution of the transferor company withoutwinding up;

(5) relief for persons objecting to the compromise orarrangement within the time and in the manner ruledupon by the court;

(6) any routine matter required in order to ensure thatthe change in structure or the merger be effectedcompletely and effectively.

(b) Where an order is granted as aforesaid for the transfer ofassets or liabilities, the assets shall be transferred by virtueof the order and shall be vested in the transferee company,and shall be freed, if so prescribed in the order, from all charges that have ceased to be valid by virtue of thecompromise or arrangement, and the liabilities shall betransferred to the transferee company and shall become its liabilities.

(c) Where an order is granted under this section, everycompany to which the order applies shall transfer a certifiedcopy of the order to the Registrar within seven days of thedate on which it is granted; a company in breach of thisprovision, as well as any office holder of such companywho approved or permitted such breach, shall be liable to afine as prescribed in section 61(c) of the Penal Law, 57371977, for every day on which the breach continues.

Chapter 4: Remedies and Monetary Sanctions

Article A: Remedies

352.

(a)For the breach of a right conferred under this Law on ashareholder as against the company or

as against anothershareholder, or on a company as against a shareholder, thelaws applying to breach of contract shall apply, mutatismutandis.

(b)The provisions of this section shall not derogate from therights of a shareholder under any law.

353.

Without derogating from the provisions of any law, the breach of aduty to keep registers or to give notices or reports to the Registrarof Companies owed by a company under this Law or under theCompanies Ordinance, shall be considered a breach of statutoryduty as against whoever relies on the registers of the company or of the Registrar of Companies.

Article B: Monetary Sanctions

354.

(a)Where the Registrar has reasonable grounds for presumingthat a private company has done any of the following, hemay impose a monetary sanction upon the company in thesum of six thousand new Israeli shekels:

(1)breach of the Registrar's instructions under section37(b) or (c);

(2)breach of the duty to file reports, pursuant to theprovisions of section 140;

(3)breach of the duty to file an annual report pursuantto the provisions of sections 141 or 348;

(4)breach of the duty imposed upon it under theprovisions of sections 173(a) or 175;

(5)breach of the duty imposed upon it under theprovisions of section 343.

(b) Where the Registrar has reasonable grounds for presumingthat a public company has infringed a duty imposed upon itunder the provisions of section 343, he may imposemonetary sanctions as aforesaid in subsection (a) upon it.

(c) Where the Registrar has reasonable grounds for presumingthat a company upon which monetary sanctions have beenimposed has infringed the same provision for which themonetary sanction was imposed within two years from thedate it was imposed, he may impose upon such companydouble the sanction prescribed in subsection (a); the Registrar may also do so if the company has committedthree or more breaches during the said period, even if thesanctions were imposed for breaches of different provisions.

355.

(a) The monetary sanction shall be in accordance with the sumupdated on the date of demand for payment thereof, and ifan appeal is filed and the court hearing the appeal does notrule that it be paid, in accordance with the sum as updated on the date of the ruling on the appeal.

(b) The Registrar may update the sum of the monetarysanctions on 1 January in each year, according to the rate ofalteration of the index from the last index published prior tothe update compared with the last index published prior tothe date of commencement of this Law; the Registrar mayalso round off the amount of the monetary sanction to thenearest sum that is a product of ten New Israeli Shekels.

(c) The Registrar shall publish the amount of the updatedmonetary sanction by notice in Reshumot.

356.

(a) A monetary sanction shall be imposed upon a company onthe demand of the Registrar made to the company (in thisChapter "a demand"); the Registrar shall set out in thedemand the breach referred to in section 354, and shallnotify the company that if the breach is not remedied withinforty-five days of the date of the demand, the company shallbe required to pay the monetary sanction on the date fixed in the demand.

(b) Where the company remedies the breach within the timestipulated in the demand, it shall notify the Registrarthereof.

(c)Where an appeal is filed against the decision of theRegistrar as aforesaid in section 359, the monetary sanctionshall not be paid unless the court orders otherwise.

357.

Where a monetary sanction is not paid on time, linkage and interestdifferentials under the Adjudication of Interest and Linkage Law 5721-196115 (hereinafter "linkage and interest differentials") shallbe added to it for the period of the delay up until the date ofpayment.

358.

The Taxes (Collection) Ordinance16 shall apply to the collection ofthe monetary sanction.

359.

(a) The decision of the Registrar under section 354 shall besubject to appeal to the Magistrates' Court, within thirtydays of the date of receipt of the demand.

(b) Where the monetary sanction has been paid and the appealhas been allowed, the monetary sanction shall be refundedtogether with linkage and interest differentials.

(c) The court's decision on the appeal is subject to appeal byleave.

360.

(a) Where a monetary sanction imposed under section 354 isnot paid on time, the Registrar may, subject to theprovisions of subsection (e), demand the payment of it byany person registered in the Registrar's records as a directorof such company or who was so registered on the date ofthe breach.

(b) The provisions of sections 355 to 359 shall apply to ademand under this section.

(c) Where one of the persons designated in subsection (a) haspaid the monetary sanction, the company shall not berequired to pay it, and the payer shall be entitled to a refundfrom the company.

(d) The court shall not charge a person required to pay amonetary sanction under this section with the paymentthereof if such person proves one of the following:

(1)that he took all appropriate steps to prevent thebreach;

(2)that he did not know of the breach and ought not tohave known of it.

(e)The company may designate in its annual report that thegeneral manager or a particular director as beingresponsible for the fulfillment of the provisions and obligations referred to in section 354; where the companyso designates, the Registrar shall not require payment of themonetary sanction from any other director of the company,unless the payment of the monetary sanction has alreadybeen demanded previously from the general manager ordirector designated by the company, and has not been paidby them.

361.

(a)The provisions of this Article shall not derogate from thepower of a prosecutor to file an information for an offenseunder this Law in respect of which a monetary sanction maybe imposed under this Article, for reasons that shall be set out in writing; for these purposes, "prosecutor" - asdefined in section 12 of the Criminal Procedure Law(Consolidated Version)), 5742-198217.

(b)Where an information is filed against the infringing party asaforesaid in subsection (a), such person shall not be chargedwith paying the monetary sanction under this Article, and ifsuch has already been paid, the Registrar shall be ordered torefund it to the infringing party, together with linkage andinterest differentials.

362.

The Registrar may request the winding up of a company underChapter 12 of the Companies Ordinance, if the monetary sanctionimposed upon the company under section 354 is not paid by it, andwithin three years from the date of imposition of the monetarysanction, the Registrar has imposed a further monetary sanction,which was also not paid on time, provided that such have not beenpaid up to the date of the filing of the application for winding up.

363.

The Minister may make regulations for the implementation of thisChapter.

Chapter 5: A Public Company Whose Shares are Traded Outside Israel

364.

(a) The Minister may prescribe, after consulting with theSecurities Authority, that the provisions of this Law thatapply to public companies shall not apply, in whole or inpart, to public companies whose shares have been offered tothe public outside Israel only, or that are registered on stockexchanges outside Israel only, whether generally or inrespect of classes, as the Minister may prescribe.

(b) The Minister may prescribe, after consulting with theSecurities Authority, that the provisions of this Law thatapply to public companies shall not apply, in whole or inpart, to public companies whose shares are registered on thestock exchange in Israel and on a stock exchange outsideIsrael, inter alia so as to prevent conflicts between foreignlaws or between rules laid down in stock exchanges outsideIsrael, and the provisions of this Law.

365.

(a) A public company whose shares have been offered to thepublic outside Israel only or that are listed for trading on astock exchange outside Israel only shall file reports with theRegistrar of Companies as if they were private companies, with such alterations as the Minister may prescribe.

(b) The Minister may, after consulting with the SecuritiesAuthority, prescribe that subsection (a) shall not apply topublic companies referred to therein, in general or according to classes, as he may prescribe; where theMinister has so prescribed, the provisions of sections 142 to145 shall apply to such companies.

(c) The provisions of Chapter 4 shall apply to a publiccompany to which the provisions of subsection (a) apply, asif it were a private company.

Chapter 6: Regulations

366.

(a) The Minister may make regulations for the implementationof this Law.

(b) Regulations under this Law shall require the approval of theConstitution, Law and Justice Committee of the Knesset.

Part X: Repeal, Transitional Provisions, Application and Commencement

367.

(a) The Companies Ordinance is repealed, with the exceptionof:

(1) sections 164 to 201, 244 to 367, 370 to 382 andsections 1 and 394 to the extent that they relate tosecured debentures, charges and winding up, both inrespect of companies incorporated prior to thecommencement of this Law and companiesincorporated in accordance with this Law;

(2) section 33, which shall continue to remain in forcein respect of companies that received an exemptionunder section 32 prior to the commencement of thisLaw;

(3) section 369, which shall continue to remain in forcein respect of companies deleted in accordance withsection 368 prior to the commencement of this Law;

(4) the provisions and conditions regarding theamendment of the memorandum of association - inrespect of a company to which section 24 of thisLaw applies.

(b) The interpretation of the provisions specified in subsection(a) shall be effected, wherever possible, in light of theprovisions of this Law.

368.

(a) The provisions of clauses 23 to 29, 51, 58 and 91 in theSecond Schedule of the Companies Ordinance shall bedeemed to have been included in the articles of associationof a company incorporated prior to the commencement ofthis Law, if such provisions applied to such companyimmediately prior to the commencement of this Law underthe provisions of sections 10 or 11 of the CompaniesOrdinance in the version that was in force, immediatelyprior to the commencement of this Law, for so long as thearticles of association are not amended under section 20.

(b) The articles of association of a company incorporated priorto the commencement of this Law shall be deemed toinclude a provision stating that the chairman of the board ofdirectors shall not have a casting vote as provided in section107, unless otherwise provided in the articles ofassociation, for so long as the articles of association are notamended under section 20.

369.

(a) The provisions of section 309(b) shall not alter the votingrights by virtue of shares purchased by a subsidiary in itsparent company or purchased by any other corporationcontrolled by the parent company prior to thecommencement of this Law, to the extent that such votingrights are granted under any law.

(b) Where shares have been purchased as provided insubsection (a) and following the commencement of thisLaw, a subsidiary or other corporation controlled by theparent company purchases additional shares of the sameclass and thereafter part of such shares are sold, for thepurposes of voting rights by virtue of the remaining shares, it shall be considered as if the shares purchased after thecommencement of this Law were sold first.

370.

A company that, immediately prior to the commencement of thisLaw was a company limited by guarantee, as defined in theCompanies Ordinance, in the version that was in force immediatelyprior to the commencement of this Law, and did not have share capital, the provisions of this Law shall apply to it and its membersshall be considered shareholders of a company having share capitalwith no nominal value.

371.

The person acting as internal auditor of a public companyimmediately prior to the commencement of this Law pursuant to anapproval under section 3(b) of the Internal Audit Law, 5752-1992,may continue to act as internal auditor for such company.

372.

A director from the public appointed pursuant to the provisions ofsection 96B of the Companies Ordinance, in the version that was inforce immediately prior to the commencement of this Law, shall beconsidered for the purpose of Chapter 1 of Part VI to be an outsidedirector, however, the provisions of the Companies Ordinance, in the version that was in force immediately prior to thecommencement of this Law, shall apply in respect of the term ofoffice and renewal thereof.

373.

In the Securities Law, 5728-1968:

(1) In section 36, the following shall be inserted aftersubsection (a):

"(a1) the duty to file reports or notices, as provided insubsection (a), to the Registrar, shall not apply to a publiccompany as defined in the Companies Law, 5759-1999.";

(2) Chapter 9-1 is hereby repealed;

(3) The following shall replace section 56(d):

"(d) the Minister of Finance shall prescribe, in accordancewith a proposal by the Authority, in consultation with theMinister of Justice and with the consent of the FinanceCommittee of the Knesset, regulations regarding:

(1) an offer of purchase of securities in aregistered company;

(2) the disclosure to be made of the details ofan allotment of securities in a registeredcompany offered otherwise than to thepublic, including the powers of the Authority in respect of such disclosure;

(3) the disclosure to be made of the details ofan act or transaction of a company requiringapproval under sections 275 or 320(c) ofthe Companies Law, 5759-1999. includingpowers of the Authority in respect of suchdisclosure."

374.

In the Securities (Amendment No. 11) Law, 5751-199018, section 14, subsection (d) is hereby repealed.

375.

In the Joint Investment Trust Law, 5754-199419:

(1) in section 16:

(a) in subsection (a), in place of "Article B of Chapter 4 ofthe Companies Ordinance" the words "sections 239 to 249of the Companies Law, 5759-1999, regarding theappointment of outside

directors, mutatis mutandis" shallbe inserted;

(b) the following shall be inserted after subsection (a):

"(a1) the outside directors shall be appointed by themanager of the fund after the trustee has examinedand confirmed that the conditions of fitness set outin section 240 of the Companies Law, 5759-1999exist in respect of them; the trustee shall report tothe Registrar and to the Securities Authority, and ina closed fund, to the stock exchange as well, as tothe results of his examination.";

(2)In section 41, in place of "Chapter 9-1 of the SecuritiesLaw" the words "Article B of Chapter 3 of Part V of theCompanies Law, 5759-1999" shall be inserted.

376.

In the National Insurance Law [Consolidated Version], 5755-199520 ,the following shall be inserted after section 6:

6A. (i) The Minister, with the approval of the Labor andWelfare Committee, may prescribe by order thatinsured persons who are members of a corporationor office holders in a corporation, as defined in theorder, shall be considered, for the purposes of thisLaw, as employees or as independent employees oras persons who are neither employees norindependent employees.

(ii)An order under subsection (a) shall be made, takinginto account, inter alia, the scope of the business ofthe corporation, the identity of the members andoffice holders thereof, and their activities in thecorporation, and the other circumstances of thecase.

(iii)The provisions of section 6(b) and (c) shall apply toan order under this section.

(iv)In this section:

(1)"members of a corporation" which is acompany - shareholders, including a shareholder in a company that has oneshareholder;

(2)the terms herein shall be interpreted inaccordance with the meanings attributed tothem in the Companies Law, 5759-1999, orin accordance with the law applying to suchcorporation, to the extent that they have nospecial meaning under this Law."

377.

This Law, with the exception of the sections set out below, shallcome into force on 25 Shevat 5760 (1 February 2000):

(1) Sections 87 to 89 shall come into force after the publicationof regulations for their implementation, on the dateprescribed in such regulations;

(2) Sections 143 and 145 shall come into force at the end ofthree years after the date of promulgation of this Law or onsuch earlier date as shall be determined by the Minister andthe Minister of Finance, provided that regulations have been made under section 144(1); the date on which sections 143and 145 shall come into force shall be published in advancein Reshumot;

(3)Section 36(a1) of the Securities Law, as worded in section373 of this Law, shall come into force on the date of entryinto force of sections 143 and 145 of this Law, as providedin paragraph (2).

378.

This Law shall be published in Reshumot within 45 days from thedate it is passed by the Knesset.

Binyamin Netanyahu
Prime Minister
Tzahi Hanegbi
Minister of Justice
Ezer Weizman
President of the State
Dan Tichon
Speaker of theKnesset