



**Azrieli Group Ltd.  
(The “Company”)**

**June 29, 2011**

**Re: Immediate Report on Convening Annual and Special General Meeting of the Company’s Shareholders and Transaction Report Pursuant to the Securities (Transaction between a Company and a Controlling Shareholder thereof) Regulations, 5760-2000 (“Controlling Shareholder Regulations”)**

According to the Securities (Periodic and Immediate Reports), 5730-1970 (“**Immediate Reports Regulations**”) and the Companies Law, 5759-1999 (“**Companies Law**”) and the Controlling Shareholders Regulations, a notice is hereby given of the convening of an annual and special general meeting of the Company’s shareholders, which shall take place on August 15, 2011, at 10:00, in the Company’s offices at 1 Azrieli Center (48<sup>th</sup> floor, Round Building), Tel Aviv (Tel.: 03-6081383), and all as specified in this report below.

**Part A – Concise Description of the Proposed Resolutions:**

1. **Presentation and discussion of the Company’s financial statements and board of directors’ report** for the year ending on December 31, 2010, which were published on March 30, 2011 (ref. no.: 2011-01-098865).
2. **Appointment of Directors** – reappointment of the incumbent directors in the Company, who are not outside directors – approving the reappointment of the directors who are acting on this date as members of the Company’s board of directors, and who are not outside directors (whose office is according to law), namely Messrs. David Azrieli, Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover and Yossi Kucik. The compensation and terms of office of each one of the directors, as the case may be, shall remain unchanged, including the continued validity of the letters of indemnification, exemption and insurance for the directors, with adjustments to the proposed resolutions on the agenda of the general meeting herein. The vote on the approval of the appointment of each one of the directors shall be made separately. For details about the directors and the declarations provided by them see the Transaction Report attached hereto.
3. **Reappointment of Auditor** – approving the reappointment of the accounting firm of Brightman, Almagor Zohar & Co. as the Company’s auditor until the date of the Company’s next annual general meeting. According to the Company’s articles, the Company’s board was authorized, having received the recommendation of the Company’s Audit Committee, to determine its fees according to the nature and scope of the services that were and will be provided to the Company.

4. **Amendment of Company's Articles** – in light of the recent taking effect of Amendment 16 of the Companies Law, 5759-1999, and the Improvement of Enforcement Proceedings in the ISA Law (Legislative Amendments), 5771-2011, it is proposed to amend the following sections of the articles of association: (1) amending Section 1.1 – definitions; (2) amending Section 14.2 concerning the general meeting's authority to shift amending powers (3) Section 2.1 of the articles on convening board meetings; (4) amending Section 22.3 on the approval of non-irregular transactions; (5) amending Section 31.1 of the articles concerning indemnification of officers and directors in the Company; (6) amending Section 31.2 of the articles concerning the indemnification of officers and directors in the Company; and (6) amending Section 32.1 of the articles concerning the insurance of officers and directors in the Company.

The language of the amended articles of association submitted to general meeting's approval is attached hereto as **Annex B**.

5. **Amending the letters of indemnification for officers** – further and subject to the amendment of the Company's articles as aforesaid, it is proposed to amend the language of the letters of exemption and indemnification (the "**Letters of Indemnification**"), which the Company granted and grants to the officers and directors in the Company, including directors and officers in the Company deemed as controlling shareholders and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time, and adjust the same to the provisions of Section 56H of the Securities Law, such that they include an undertaking of indemnification for payments to parties harmed by a breach and expenses related to administrative enforcement proceedings, including reasonable litigation costs.
6. **Amending the Letters of Indemnification for officers deemed as controlling shareholders in the Company and/or in the granting of which the controlling shareholders in the Company have a personal interest** – further and subject to the approval of the amendment of the Letter of Indemnification for all of the officers in the Company as aforesaid, the aforesaid amendment shall also apply to the language of the Letter of Indemnification that were and are granted by the Company to officers and directors in the Company who are deemed as controlling shareholders and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time, and adjust the same to the provisions of Section 56H of the Securities Law, such that they include an undertaking of indemnification for payments to parties harmed by a breach and expenses related to administrative enforcement proceedings, including reasonable litigation costs.

The language of the amended Letter of Indemnification submitted to the general meeting's approval in connection with Sections 5 and 6 is attached hereto as **Annex C**.

## **Part B – Required Details Pursuant to the Controlling Shareholder Regulations**

With respect to Subject 5 on the agenda, an immediate report pursuant to the Controlling Shareholder Regulations is hereby given on the Company's engagement in a transaction, in which the controlling shareholder has a personal interest.

### **Concise Description of the Transaction and the Main Terms and Conditions thereof**

On June 28, 2011, the Audit Committee and the Company's board approved the amendment of the letters of exemption and indemnification ("**Letters of Indemnification**") that had been granted to officers in the Company as well as the granting of a letter of indemnification (in its amended version), *inter alia*, to directors and officers in the Company who are deemed as controlling shareholders and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time. The amendment of the Letters of Indemnification shall be made such that the Letters of Indemnification will also contain an undertaking of indemnification for a financial liability imposed on the officer for all of the parties harmed by the breach in an administrative proceeding pursuant to Section 52(54)(a)(1)(a) of the Securities Law, and for expenses incurred by the officer in connection with an administrative proceeding conducted in his matter, including reasonable litigation costs, including legal fees.

The resolution of the Company's Audit Committee and board, as aforesaid, is subject to the approval of the general meeting convened hereunder, including with respect to the amendment of the Company's articles of association.

### **Name of Controlling Shareholder with Personal Interest in the Transaction Specified in Section 1.5 above and the Nature of the Personal Interest**

Azrieli Holdings Ltd. ("**Azrieli Holdings**"), the controlling shareholders in the Company as of the date hereof<sup>1</sup>, which holds approx. 74.99% of the issued share capital and the voting rights in the Company, is owned and fully controlled by the members of the Azrieli family: Mr. David Azrieli, the Chairman of the board (approx. 40%) and his four children (Naomi Azrieli, Sharon Azrieli, Danna Azrieli and David Azrieli in trust for Rafi Azrieli) (jointly, the "Children") (approx. 60% in equal shares). According to an agreement, Mr. David Azrieli was granted all the voting rights in Azrieli Holdings, in trust also for his Children, and is therefore deemed as the controlling shareholder in the Company. Notwithstanding the aforesaid, in light of the definition of the terms "holding" and "interested parties" in the Securities Law, 5728-1968, Mr. David Azrieli's four Children are also deemed as "controlling shareholders" for the purpose of the Securities Law and the Companies Law, 5759-1999. Mr. David Azrieli, the Chairman of the board, as well as Naomi, Danna and Sharon Azrieli who act as directors, have a personal interest in approving the resolution as officers in the Company and therefore did not attend and did not participate in the deliberations concerning these resolutions.

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<sup>1</sup> Via Nadav Investments Inc.

Names of the Directors with Personal Interest in Approving the Transaction and the Nature of their Personal Interest

All of the directors in the Company, Messrs.: David Azrieli, Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover, Yossi Kucik, Niv Ahituv and Efraim Halevy have a personal interest in approving the resolution, because they are beneficiaries of the Letters of Indemnification.

**Part C – Additional Details**

**Legal Quorum**

According to the Company's articles, a legal quorum for opening the deliberations in the general meeting shall be formed upon the presence in person or by proxy or through a written proxy of one or more shareholders, who holds or represents (or who hold or represent, if more than one shareholder is present) at least fifty one percent (51%) of the voting rights in the Company.

If no legal quorum is present two hours after the time scheduled for the meeting, the meeting shall be adjourned to the third business day after the date of the meeting, at the same time and place, or to a later day and time or a different place, as shall be determined by the Company's board in a notice to the shareholders. The Company shall notify by an immediate report the adjournment of the meeting and the date of holding the adjourned meeting.

If no legal quorum is present at the adjourned meeting as aforesaid, legal quorum shall be formed upon the presence in the adjourned meeting in person or by proxy or through a written proxy of one or more shareholders, who holds or represents (or hold or represent, if more than one shareholder is present) at least forty percent (40%) of the voting rights in the Company.

**Required Majority**

The required majority for approving the resolutions specified in Sections 2, 3 and 5 above is a simple majority of the total votes of the shareholders who attend and vote at the meeting, without counting the abstaining votes.

The required majority for approving the resolutions specified in Sections 4 and 6 above is a simple majority of the total votes of the shareholders who are entitled to vote and participate in the vote, provided that one of the following is fulfilled:

- (1) The count of the majority votes includes the majority of the total votes of the shareholders who participate in the vote and have no personal interest in approving the transaction. The count of the total votes of the aforesaid shareholders shall not include the abstaining votes;
- (2) The total objecting votes of the shareholders aforesaid in subsection (1) above did not exceed two percent of the total voting rights in the Company.

A shareholder who participates in the vote concerning resolutions 4 and 5 on the agenda shall notify the Company prior to his vote, and if the vote is by a written proxy, shall indicate in the second part of the written proxy at the designated place, whether or not he has a personal interest in approving the transaction. If the shareholder did not so notify, his vote shall not be counted.

### **Record Date**

The record date for determining the entitlement of a shareholder in the Company to participate in and vote at the general meeting is Wednesday, July 6, 2011 (the “**Record Date**”).

Pursuant to the Companies Regulations (Proving Share Ownership for Voting at the General Meeting), 5760-2000, a shareholder to whose credit a share is registered with a TASE member, which share is included among the shares registered in the registry in the name of the nominee company of Bank Leumi Le’Israel Ltd. (the “**TASE Member**”), who wishes to vote at the general meeting, shall submit to the Company a certification from the TASE Member of his ownership of the share on the Record Date as required under the Companies Law and the aforesaid regulations.

### **Written Proxy and Position Statements**

A shareholder may vote at the general meeting on Subjects 2-6 on the agenda as aforesaid by using a written proxy.

The URLs of the distribution website of the Israel Securities Authority and the website of the Tel Aviv Stock Exchange Ltd., where the language of the written proxy and the position statements are available, are as follows: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and [www.maya.tase.co.il](http://www.maya.tase.co.il), respectively.

The vote shall be made on the second part of the written proxy as published on the Israel Securities Authority’s distribution website.

A shareholder may apply directly to the Company and receive therefrom the language of the written proxy and the position statements.

A shareholder whose shares are registered with the TASE Member is entitled to receive from the TASE Member, free of charge, per email, a link to the language of the written proxy and the position statements on the distribution website, unless the shareholder notified that he is not interested therein and provided that the notice was given with respect to a specific securities account and prior to the Record Date.

A shareholder whose shares are registered with the TASE Member is entitled to receive the ownership certification from the TASE Member through which he holds his shares at a branch of the TASE Member or by mail to his address against the postage fee only, if he so requested and a request to this effect shall be made in advance for a specific securities account.

The written proxy shall be submitted to the Company’s offices, such that the written proxy arrives in the Company’s offices no later than seventy two (72) hours prior to the date of holding the meeting, namely by August 12, 2011, at 10:00, in addition to the ownership certification of a shareholder whose shares are registered with a TASE

Member or a photocopy of an ID, passport or certificate of incorporation, if the shareholder is registered in the Company's records.

The last date for submitting position statements to the Company: July 16, 2011, at 10:00.

The last date for submitting the board response to the position statements, if and insofar as position statements are filed by shareholders and the board chooses to submit its response to these position statements, is: July 21, 2011, at 10:00.

### **Inspection of Documents**

A copy of this report and of any document concerning the afore-specified resolutions shall be available at the Company's offices Sundays-Thursdays during normal working hours, after prior coordination at Tel. 03-6081300, until the date of convening the meeting to approve the resolutions on the agenda, as well as on the website of the Israeli Securities Authority: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

**Sincerely,**

**Azrieli Group Ltd.**



**Azrieli Group Ltd.**  
(the "Company")

To  
Israel Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To  
Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

**Re: Immediate Report**

**Pursuant to the Companies Law, 5759-1999 (the "Companies Law"), the Securities Law, 5728-1968 (the "Securities Law"), the Companies (Notice on General Meeting and Class Meeting in a Public Company) Regulations, 5760-2000 (the "Notice on Meeting Regulations"), Securities (Periodic and Immediate Reports) Regulations, 5730-1970 (the "Reports Regulations) and the Securities (Transaction between a Company and a Controlling Shareholder thereof) Regulations, 5761-2001 ("Controlling Shareholder Regulations")**

1. **General**

According to the Reports Regulations, the Companies Law, the Notice on Meeting Regulations and the Controlling Shareholder Regulations, the Company is hereby notifying the convening of a an annual and special general meeting of the Company's shareholders for approving the subjected specified in Part A hereof (the "**General Meeting**")

**Part A – Convening a General Meeting**

2. **Date, Place and Agenda**

The General Meeting shall be held on Thursday, August 15, 2011, at 10:00 (Israel time), in the Company's offices at 1 Azrieli Center (48<sup>th</sup> floor, Round Building), Tel Aviv (Tel.: 03-6081383).

The following resolutions will be on the agenda of the Company's General Meeting:

2.1. **Inspecting Periodic Report 2010**

Inspection and deliberation, as shall be necessary, of the audited financial statements and the board report on the state of the Company's affairs for the year ending on December 31, 2010.

2.2. **Appointing Directors**

Reappointment of the directors who are acting on this date as directors in the Company (and who are not outside directors), namely Messrs.

David Azrieli, Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover and Yossi Kucik, until the end of the next annual general meeting of the Company. The compensation and terms of office of each one of the directors, as the case may be, shall remain unchanged, including the continued validity of the letters of indemnification, exemption and insurance for the directors, with adjustments to the proposed resolutions on the agenda of the General Meeting herein.

#### Details on the Directors Proposed to be Appointed

All of the directors proposed to be appointed are acting on this date in the Company's board. For the details, to the Company's best knowledge, as required pursuant to Section 26 of the Immediate Reports Regulations, see Part D of the Company's periodic report for 2010, under the heading "Additional Details on the State of the Corporation's Affairs", published by the Company on March 30, 2011 (ref.: 2011-01-098865) ("**Part D of the Periodic Report**"), and they are included herein by reference. As of the date hereof no material changes occurred in the details of the aforesaid directors as stated in the aforesaid periodic report.

For the terms of the management agreements with the Chairman of the board, David Azrieli, the Acting Vice Chairman, Mr. Menachem Einan, and the Acting Vice Chairman, Ms. Danna Azrieli, see Section 22 (Articles 1-2) of Part D of the Periodic Report. Mr. Joseph Ciechanover, according to his declaration and pursuant to the resolution of the Company's board of May 25, 2011, is an independent director with accounting and financial expertise. For additional details see the immediate report of May 25, 2011, ref.: 2011-01-162051, which is included by reference, according to which Mr. Ciechanover is entitled to compensation equal to that paid to an expert outside director of the Company.

Each one of the directors standing for reappointment executed a declaration of a candidate for a director office pursuant to the provisions of Section 224B of the Companies Law, a copy of which is attached hereto as **Annex A**. The Company's outside directors, Mr. Niv Ahituv and Mr. Efraim Halevy, will continue in office by law. The vote concerning the approval of each one of the directors shall be made separately.

#### 2.3. **Appointment of Auditor**

Reappointment of the accounting firm of Brightman, Almagor Zohar & Co. as the Company's auditor until the date of the Company's next annual general meeting. According to the Company's articles, the Company's board is authorized to determine its fees for audit activities and for other services, after receiving the recommendation of the Company's Audit Committee.



2.4. **Approval of Amendment of Company's Articles of Association**

Approving an amendment of the Company's articles of association so as to adjust existing provisions to Amendment 16 of the Companies Law, which recently took effect, and to add provisions concerning the indemnification and insurance of the liability of officers as specified in this section below. The purpose of adding the propose provisions as aforesaid is to adjust the provisions of the Company's articles of association concerning certain liabilities pursuant to the Improvement of Enforcement Proceedings in the ISA Law (Legislative Amendments), 5771-2011, (the "**Administrative Enforcement Law**"), which recently took effect.

2.4.1. In Section 1.1 of the Company's articles of association shall be added the definition "Administrative Proceeding" as follows: "A proceeding pursuant to Chapter H3 (Imposing a Monetary Sanction by the ISA), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) or I1 (Conditioned Arrangement for Avoidance of Taking Action or for Stopping Action) of the Securities Law, 5728-1968, as amended from time to time".

2.4.2. At the end of Section 14.2 of the Company's articles of association, the following shall be added: "which shall not exceed the period of time required under the circumstances".

2.4.3. The words: "at the same time" shall be added at the end of the first paragraph of Section 19.8 of the Company's articles of association.

In the second paragraph, the words "resolutions shall have been adopted as aforesaid" shall be followed by the words: "in this article".

2.4.4. Section 21.1 of the Company's articles of association shall be replaced by the following Section 21.1: "Any notice of a board meeting may be given orally or in writing, provided that the notice shall be given at least five (5) business days before the date scheduled for the meeting, unless all of the members of the Board of Directors or their alternates shall have agreed to shorten the said timeframe, provided that it will be a reasonable timeframe in advance. The aforesaid notwithstanding, the board of directors may convene for a meeting without notice only in urgent cases and with the consent of a majority of the directors".

2.4.5. In Section 22.3 of the Company's articles of association, the words "is not an non-irregular transaction" shall be

followed by the words “and is not regarding terms of office and employment, including exemption, insurance and indemnification”.

- 2.4.6. In Section 22.4 of the Company’s articles of association, the words “in a transaction which is not irregular” shall be replaced by the words “in a transaction which is irregular or not irregular”.
- 2.4.7. Section 23.6 of the Company’s articles of association shall be abrogated.
- 2.4.8. In Section 26.2 of the Company’s articles of association, the word “the Board Of Directors” shall be followed by the words: “, following receipt of the audit committee’s recommendations (which shall be delivered to the Company within a reasonable timeframe in advance)”.
- 2.4.9. Section 31.1(b) of the Company’s articles of association shall be ended with the following words: “or in connection with a monetary sanction”.
- 2.4.10. Section 31.1(d) of the Company’s articles of association shall be replaced by the following section: “A monetary liability imposed on an officer for the party harmed by the breach in an Administrative Proceeding, as aforesaid in Section 52AAB(a)(1)(a) of the Securities Law”.
- 2.4.11. Section 31.1(e) shall be added to the Company’s articles of association as follows: “Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees”.
- 2.4.12. In Section 31.2 of the Company’s articles of association a reference shall be added to Sections 31.1(d) and 31.1(e).
- 2.4.13. Section 32.1(d) of the Company’s articles of association shall be replaced by the following section: “A monetary liability imposed on an officer for the party harmed by the breach in an Administrative Proceeding, as aforesaid in Section 52AAB(a)(1)(a) of the Securities Law”
- 2.4.14. Section 32.1(e) shall be added to the Company’s articles of association as follows: “Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees”.

The Company’s amended articles of association are attached hereto as **Annex B**.

2.5. **Amending Letters of Indemnification for Officers**

Subject to the amendment of the Company's articles of association as proposed in Section 2.4 above, it is proposed to amend accordingly the letters of exemption and indemnification that were and are granted to officers in the Company as applicable from time to time (the "**Letter/s of Indemnification**"). The Letters of Indemnification shall be amended so as to also include an undertaking of indemnification for a financial liability imposed on the officer for the party harmed by the breach in an administrative proceeding (as this term is defined in Section 2.4.1.1 above) pursuant to Section 52(54) (a)(1)(a) of the Securities Law, and for expenses incurred by the officer in connection with an administrative proceeding conducted in his matter, including reasonable litigation costs, including legal fees, such that the Letter of Indemnification shall be in the form attached hereto as **Annex C**.

2.6. **Amending Letters of Indemnification for Officers Deemed as Controlling Shareholders in the Company and/or in the engagement in which controlling shareholders have a Personal Interest**

Further to the provisions of Section 2.5 above, it is proposed to amend accordingly also the Letters of Indemnification that were and/or will be granted to officers deemed as controlling shareholders in the Company and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time (as of the date hereof, Mr. David Azrieli, Ms. Danna Azrieli, Ms. Naomi Azrieli and Ms. Sharon Azrieli), such that the Letter of Indemnification shall be in the form attached hereto as **Annex C**.

3. **Required Majority**

3.1. The majority required for the approval of the subjects on the agenda as specified in Sections 2.2, 2.3 and 2.5 above is a majority of the votes of those present who are entitled to participate and are participating in the vote.

3.2. The majority required for the approval of the subject on the agenda as specified in Sections 2.4 and 2.6 is a simple majority of the shareholders who are entitled to vote and participate in the vote, in person or by proxy, provided that one of the following is fulfilled:

- (1) The count of the majority votes includes the majority of the total votes of the shareholders who participate in the vote and have no personal interest in approving the transaction. The count of the total votes of the aforesaid shareholders shall not include the abstaining votes;

- (2) The total objecting votes of the shareholders aforesaid in subsection (1) above did not exceed two percent of the total voting rights in the Company.

4. **Record Date, Legal Quorum, Adjourned Meeting and Proxy**

4.1. The record date regarding a shareholder's entitlement to participate in and vote at the aforesaid General Meeting, pursuant to Section 182 of the Companies Law, 5759-1999, is the close of trading on Wednesday, August 6, 2011, in the Tel Aviv Stock Exchange Ltd. (the "**Record Date**"), and if no trade took place on the Record Date, then the last trading day prior thereto. Pursuant to the Companies Regulations (Proving Share Ownership for Voting at the General Meeting), 5760-2000, a shareholder to whose credit a share is registered with a TASE member, which share is included among the shares registered in the registry in the name of the nominee company, who wishes to vote at the general meeting, in person or by proxy, shall submit to the Company a certification from the TASE Member with whom a share is registered to his credit, of his ownership of the share on the Record Date, according to Form 1 in the Schedule to the Regulations.

4.2. Each shareholder of the Company on the Record Date may, whether the shares are registered in his name or held by him through a TASE Member, participate in the aforesaid meeting in person or by proxy, which was lawfully authorized according to a proxy appointment document in accordance with the provisions of the Company's articles of association, which should be deposited in the Company's registered office at least 48 hours before the date of convening the meeting, namely by August 13, 2011.

4.3. A legal quorum for opening the deliberations in the General Meeting shall be formed upon the presence in person or by proxy or through a written proxy of one or more shareholders, who holds or represents (or who hold or represent, if more than one shareholder is present) at least fifty one percent (51%) of the voting rights in the Company.

If no legal quorum is present two hours after the time scheduled for the meeting, the meeting shall be adjourned to the third business day after the date of the meeting, at the same time and place, or to a later day and time or a different place, as shall be determined by the Company's board in a notice to the shareholders. The Company shall notify by an immediate report the adjournment of the meeting and the date of holding the adjourned meeting.

If no legal quorum is present at the adjourned meeting as aforesaid, legal quorum shall be formed upon the presence in the adjourned meeting in person or by proxy or through a written proxy of one or more shareholders, who holds or represents (or hold or represent, if

more than one shareholder is present) at least forty percent (40%) of the voting rights in the Company.

## 5. **Voting by Written Proxy and Position Statements**

5.1. According to the Companies (Written Proxy and Position Statements) Regulations, 5765-2005, shareholders in the Company may vote on the resolutions in Sections 2.2, 2.3, 2.4, 2.5 and 2.6 above by written proxy. The language of the written proxy and the position statements for the aforesaid resolutions are available at the distribution website of Magna at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il), and on the website of the Tel Aviv Stock Exchange Ltd., at: [www.maya.tase.co.il](http://www.maya.tase.co.il). The shareholders may apply directly to the Company and receive therefrom the language of the written proxy and the position statements. The TASE Member shall send, free of charge, per email, a link to the language of the written proxy and the position statements on the distribution website, to each shareholder who is not registered in the shareholder registry and whose shares are registered with that TASE Member, unless the shareholder notified that he is not interested therein and provided that the notice was given with respect to a specific securities account and prior to the Record Date. The vote shall be made on the second part of the written proxy as published on the aforesaid Magna's distribution website.

5.2. A shareholder who is registered in the shareholder registry and who wishes to vote in writing shall indicate his vote on the form and submit the same to the Company or send the same thereto by registered mail, with a photocopy of his ID or passport or certificate of incorporation, as the case may be, such that the written proxy arrives at the Company's offices at least seventy two (72) hours prior to the date of convening the General Meeting, namely by August 12, 2011, at 10:00. A shareholder who is not registered in the shareholder registry shall submit or send the written proxy to the Company as aforesaid, with an ownership certification, such that the written proxy arrives at the Company's offices on the aforesaid date. The shareholder may receive the ownership certification from the TASE Member through which he holds his shares, at a branch of the TASE Member or by mail to his address against the postage fee only, if he so requested and a request to this effect shall be made in advance for a specific securities account.

5.3. A shareholder who participates in a vote concerning a resolution on the agenda as specified in Sections 2.4 and 2.5 above shall notify the Company prior to his vote, and if the vote is by a written proxy, shall indicate in the second part of the written proxy at the designated place, whether or not he is deemed as having a personal interest in approving the resolution on the agenda. If the shareholder did not so notify, his vote shall not be counted.

5.4. The last date for submitting position statements to the Company is July 16, 2011.

- 5.5. The last date for submitting a position statement on behalf of the Company, including the board response to the position statements on behalf of the shareholders, is July 21, 201.

**Part B – Amending Letters of Indemnification and Exemption Granted to Officers of the Company and Granting the same to Directors and Officers of the Company Deemed as Controlling Shareholders in the Company and/or in the engagement in which controlling shareholders have a Personal Interest (as specified in Section 2.6 above)**

**6. Summary and Terms of the Engagement**

- 6.1. The Improvement of Enforcement Proceedings in the ISA Law (Legislative Amendments), 5771-2011, (the “**Administrative Enforcement Law**”) allows the Israel Securities Authority, *inter alia*, to enforce provisions under the Securities Law in an administrative proceeding, as this term is defined in Section 2.4.1.1 above, and in this framework to impose various sanctions on the breaching party. The Administrative Enforcement Law allows the Company’s engagement in an insurance or indemnification contract with respect to a monetary liability imposed on the officer for a harmed party in an administrative proceeding as specified in Section 52(54)(a)(1)(a) of the Securities Law, and for expenses incurred by the officer in connection with an administrative proceeding conducted in his matter, including reasonable litigation costs, including legal fees.
- 6.2. In light of the aforesaid, on June 28, 2011, the Company’s Audit Committee and board, respectively, approved the amendment of the Letters of Indemnification and the granting of Letters of Indemnification (in the amended version), *inter alia*, to directors and officers of the Company who are deemed as controlling shareholders in the Company and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time (as of the date hereof, Mr. David Azrieli, who is acting as the chairman of the board, as well as Ms. Danna Azrieli, Ms. Naomi Azrieli and Ms. Sharon Azrieli who are acting as directors of the Company). The amendment of the Letters of Indemnification shall be such that the Letters of Indemnification shall also include an undertaking of indemnification for a monetary liability imposed on the officer for a harmed party in an administrative proceeding (as this term is defined in Section 2.4.1.1 above) as specified in Section 52(54)(a)(1)(a) of the Securities Law, and for expenses incurred by the officer in connection with an administrative proceeding conducted in his matter, including reasonable litigation costs, including legal fees.
- 6.3. The resolution of the Company’s Audit Committee and board, as aforesaid, is subject to the approval of the General Meeting convened hereunder, including with respect to the amendment of the Company’s articles of association.

6.4. The language of the amended Letter of Indemnification is attached hereto as **Annex C**.

7. **Transactions of the Type of the Transaction between the Company and the Controlling Shareholder thereof**

On May 6, 2011, on the eve of the Company's becoming a public company, the Company's general meeting, the approval thereof by the Company's board having been received, approved the Company's undertaking to indemnify all of the directors and officers of the Company as they will be from time to time. In this context, the Company undertook that upon the appointment of new directors and officers in the future, whether by the Company's general meeting or otherwise, the Company shall make a disclosure, also on the Company's resolution to grant letters of indemnification and exemption to directors as aforesaid. On August 24, 2010, the Company's general meeting approved the granting of letters of indemnification and exemption to the Company's outside directors, Messrs. Nr Ahituv and Efraim Halevy, who were appointed at the general meeting.

8. **Name of Controlling Shareholder with Personal Interest in Approving the Transaction and the Nature of the Personal Interest**

Azrieli Holdings Ltd. ("**Azrieli Holdings**"), the controlling shareholders in the Company as of the date hereof<sup>2</sup>, which holds approx. 74.99% of the issued share capital and the voting rights in the Company, is owned and fully controlled by the members of the Azrieli family: Mr. David Azrieli, the Chairman of the board (approx. 40%) and his four children (Naomi Azrieli, Sharon Azrieli, Danna Azrieli and David Azrieli in trust for Rafi Azrieli) (jointly, the "**Children**") (approx. 60% in equal shares). According to an agreement, Mr. David Azrieli was granted all the voting rights in Azrieli Holdings, in trust also for his Children, and is therefore deemed as the controlling shareholder in the Company. Notwithstanding the aforesaid, in light of the definition of the terms "holding" and "interested parties" in the Securities Law, 5728-1968, Mr. David Azrieli's four Children are also deemed as "controlling shareholders" for the purpose of the Securities Law and the Companies Law, 5759-1999. Mr. David Azrieli, the Chairman of the board, as well as Naomi, Danna and Sharon Azrieli who act as directors, have a personal interest in approving the resolution as officers in the Company and therefore did not attend and did not participate in the deliberations concerning these resolutions.

9. **The Procedure of Approving the Engagement and the Names of the Directors who Participated in the Meetings**

9.1. The resolution on the amendment of the Letters of Indemnification (as defined above) that were granted to officers of the Company as well as the granting of a Letter of Indemnification (in its amended version), *inter alia*, to directors and officers of the Company who are deemed as controlling shareholders of the Company and/or in

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<sup>2</sup> Via Nadav Investments Inc.

the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time, as specified in Section 2.5 above, was approved on June 28, 2011, in the Company's Audit Committee and in the Company's board.

9.2. In the meeting of the Company's Audit Committee participated all of the members of the Audit Committee, Messrs.: Efraim Halevy, Chairman, Joseph Ciechanover and Niv Ahituv. All of the members of the Audit Committee notified that they have a personal interest in approving the resolution and therefore, pursuant to Section 278(b) of the Companies Law, they all participated in the deliberations and vote.

9.3. In the meeting of the board participated Messrs.: [REDACTED]. All of the members of the board notified that they have a personal interest in approving the resolution and therefore, pursuant to Section 278(b) of the Companies Law, they all participated in the deliberations and vote.

10. **Names of the Directors with Personal Interest in Approving the Transaction and the Nature of their Personal Interest**

All of the directors in the Company, Messrs.: David Azrieli, Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover, Yossi Kucik, Niv Ahituv and Efraim Halevy have a personal interest in approving the resolution, because they are beneficiaries of the Letters of Indemnification.

11. **Required Approvals**

The approvals required for approving the resolution specified in Section 2.6 above are the approval of the Company's Audit Committee and board, which were obtained on June 28, 2011, as well as the approval of the Company's shareholders meeting, which is convened hereunder, including with respect to amending the Company's articles of association.

12. **The Reasons of the Company's Audit Committee and Board**

12.1. The Administrative Enforcement Law allows the Israel Securities Authority, *inter alia*, to enforce provisions under the Securities Law in an administrative proceeding, as this term is defined in Section 2.4.1.1 above, and in this framework to impose various sanctions on the breaching party. The Administrative Enforcement Law therefore broadens the scope of exposure and liability imposed on the officers of the Company and it justifies the amendment of the Letters of Indemnification such that they would be adjusted to the provisions of the law.

12.2. The amendment of the Letters of Indemnification is permitted under the Administrative Enforcement Law and is subject to the resolution of the Company's general meeting regarding the amendment of the Company's articles of association.



12.3. In the opinion of the Company's Audit Committee and board, the amendment of the Letters of Indemnification (as defined above) that were granted to officers of the Company as well as the granting of a Letter of Indemnification, *inter alia*, to directors and officers of the Company who are deemed as controlling shareholders of the Company and/or in the engagement in which controlling shareholders have a personal interest, as acting in the Company from time to time, is reasonable and appropriate in the circumstances of the matter, considering the liability imposed on the officers of the Company and the scope and sector of the Company's activity.

12.4. The terms of the Letter of Indemnification for directors who are deemed as controlling shareholders of the Company and/or in the engagement in which controlling shareholders have a personal interest are identical to the terms of the other directors in the Company and do not constitute a special benefit, are under market conditions and are not likely to materially affect the Company's profitability, property or obligations.

### 13. **ISA's Power**

Pursuant to Section 10 of the Securities (Transaction between a Company and a Controlling Shareholder thereof) Regulations, 5761-2001, the ISA or an employee authorized thereby for this purpose is authorized to instruct the Company, within 21 days after the filing of this report, to provide, within a period of time determined thereby, an explanation, details, information and documents concerning the subject specified in Section 2.5 above, and to instruct the Company to amend this report in such manner and on such date as determined thereby.

If and instruction to amend the report was given as aforesaid, the ISA may instruct to postpone the date of the General Meeting to a date occurring no less than 3 business days and no more than 35 days after the date of publication of the amendment hereof.

### 14. **Inspection of Documents and Details on the Company's Representatives**

The Company's representative for the matter of the immediate report is the Company's General Counsel and Company Secretary, Adv. Michal Kamir. A copy of this report, its annexes and lawful signed statements of all of the candidates for appointment as directors of the Company at this meeting (pursuant to Section 224B of the Companies Law), are available for inspection at the Company's offices Sundays-Thursdays during normal working hours, after prior coordination at Tel. 03-6081300, until the date of convening the meeting to approve the resolutions on the agenda, as well as on the website of the Israeli Securities Authority: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

**Sincerely,**

**Azrieli Group Ltd.**

Annex A

**Declarations of the Candidates for the Office of Director**

Annex B

Language of Amended Articles of Association

**Articles of Association**  
**of**  
**Azrieli Group Ltd.**  
**(the “Company”)**

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## **Chapter One – General**

### **1. Preamble**

1.1. Each one of the words specified below shall, in these Articles, bear the meaning appearing alongside it:

<b>TASE</b>	- Tel Aviv Stock Exchange Ltd.
<b>Law</b>	- The provisions of any law which applies in the State of Israel.
<b>Administrative Proceeding</b>	- A proceeding pursuant to Chapter H3 (Imposing a Monetary Sanction by the ISA), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) or II (Conditioned Arrangement for Avoidance of Taking Action or for Stopping Action) of the Securities Law, 5728-1968, as amended from time to time.
<b>Companies Law</b>	- The Companies Law, 5759-1999 and the regulations promulgated thereunder from time to time; or any legal provision which shall substitute the same.
<b>Securities Law</b>	- The Securities Law, 5728-1968 and the regulations promulgated thereunder from time to time, or any legal provision which shall substitute the same.
<b>Business Day</b>	- A day on which the majority of banks in Israel are open for the transaction of business.
<b>Writing</b>	- Print and any other form of printing words, including documents forwarded in writing via facsimile, telegram, telex, e-mail, computer or any other means of electronic communication, which creates or allows the creation of a copy and/or printout of the document.
<b>Securities</b>	- As defined in Section 1 of the Securities Law.
<b>Incapacitated</b>	- A person declared incapacitated pursuant to the Capacity and Guardianship Law, 5722-1962.
<b>Companies Ordinance</b>	- The Companies Ordinance [New Version], 5743-1983, or any legal provision which

shall substitute the same.

<b>Simple majority</b>	- A majority of more than one half of the votes of the shareholders who are entitled to vote and voting, in person or by proxy or written proxy, with the exception of abstainers.
<b>Articles</b>	- The Company's articles of association, as currently drafted or as shall be duly modified, from time to time, whether explicitly or pursuant to any law.
<b>Companies Regulations</b>	- Regulations promulgated under the Companies Law and/or the Companies Ordinance.
<b>Securities Regulations</b>	- Regulations promulgated under the Securities Law.
<b>Associate</b>	- A corporation which controls, either directly and/or indirectly, the Company and/or any corporation which is controlled, either directly and/or indirectly, by such a corporation and/or a corporation which is controlled by the Company, either directly and/or indirectly.

- 1.2. In these Articles, reference to any organ or officer is to those of the Company.
- 1.3. The provisions of Sections 3-10 of the Interpretation Law, 5741-1981 shall apply, *mutatis mutandis*, also to the interpretation of the Articles, if there is no other provision with respect thereto and if there is nothing in such matter or the context thereof which is inconsistent with such application.

Apart from the provisions of this article, any word and expression in the Articles shall bear the meaning afforded thereto in the Companies Law, and if they have no meaning in the Companies Law, then the meaning afforded thereto in the Companies Regulations, and if there is none, then the meaning afforded thereto in the Securities Law, and if there is none, then the meaning afforded thereto in the Securities Regulations, and if there is none, then the meaning afforded thereto in any other law, all if the meaning given as aforesaid does not contradict the context in which such word or expression appear or the purpose of the relevant provision in the Articles.

In the event that these Articles refer to a legal provision which has been amended or repealed, the said provision shall be deemed as valid and as if it were part of the Articles, unless such amendment or repeal render the provision invalid.

The provisions of these Articles serve to add to or modify the non-mandatory provisions of the Companies Law. In the event that any of the provisions of these Articles contradict what is permitted by law, the provisions of these Articles shall be interpreted, insofar as possible, in accordance with the provisions of the law.

2. **Public Company**

The Company is a public company.

3. **Donations**

The Company may make donations even if the donation is not in the framework of business considerations.

4. **Objects of the Company**

The Company shall engage in any lawful occupation.

5. **Limitation of Liability**

The liability of the Company's shareholders is limited, each to payment of the full amount that he undertook to pay for the shares allotted to him at the time of the allotment.

6. **Modification of the Articles**

Unless determined otherwise in relation to a certain provision in these Articles, the Company shall be entitled to modify any of the provisions of these Articles, including modification of this article, or to replace it with another by a resolution that shall be adopted by the general meeting by a simple majority.

**Chapter Two – The Company's Share Capital**

7. **Share Capital**

7.1. The Company's authorized share capital is NIS 12,750,150, divided into 127,501,500 registered ordinary shares of par value NIS 0.1 each ("Share", "Ordinary Share", "Shares" or "Ordinary Shares", as the case may be). Each Share confers equal rights to receive invitations for, to participate in and vote at the general meetings. A shareholder shall have one vote for each fully paid-up Share held by him. All of the Shares shall rank *pari passu* in relation to the capital amounts paid or credited as paid on their par value, with respect to dividends, the distribution of stock dividends and any other distribution, reimbursement of the capital and participation in the distribution of surplus assets of the Company upon dissolution.

- 7.2. The provisions of these Articles with respect to Shares shall apply also to other securities that the Company shall issue, *mutatis mutandis*.

8. **Issue of Shares and Other Securities**

- 8.1. No preemptive right – The Company's existing shareholders shall have no preemptive right, preferred right or any other right to purchase securities of the Company. The Board of Directors may, at its sole discretion, first offer securities of the Company to existing shareholders or to part thereof.
- 8.2. Fees – The Company may pay any person a fee (including underwriting fees) in consideration for underwriting services, marketing or distribution of securities of the Company, whether conditionally or unconditionally, under such conditions as the Board of Directors shall determine. Payments as stated in this article may be made in cash or in securities of the Company or some in one way and some in another.
- 8.3. Subject to any law and the provisions of these Articles, the Board of Directors may introduce differences between the Company's security holders in relation to the terms and conditions of the allotment of securities of the Company and the rights attached to such securities, as well as modify such terms and conditions, and waive part thereof. The Board of Directors may further issue calls to the security holders in respect of the money which shall not yet have been paid in respect of the securities that they hold.
- 8.4. Any payment on account of a Share shall first be credited on account of the par value and only subsequently on account of the premium in respect of each Share, unless determined otherwise in the terms and conditions of the allotment. Persons holding a Share jointly will all be required, jointly and severally, to pay any and all calls and installments in connection therewith.
- 8.5. A shareholder will not be entitled to his rights as a shareholder, including to dividends, unless he shall have paid all of the amounts in accordance with the terms and conditions of the allotment, plus interest, linkage and expenses, if any, all unless determined otherwise in the terms and conditions of the allotment.
- 8.6. The Board of Directors may forfeit and sell, re-allot or transfer in another manner any security for which full consideration shall not have been paid, as it shall decide, including without consideration.
- 8.7. Forfeiture of a security will entail, at the time of the forfeiture, cancelation of any right in the Company and any claim or demand against it in relation to the security, apart from those rights and duties which have been excluded from this rule by these Articles or which the law grants to or imposes upon a former security holder.



9. **The Company's Shareholders' Ledger and the Issue of Share Certificates**

- 9.1. A shareholder of the Company is each one of the following:
  - 9.1.1. A person registered as a shareholder in the Shareholders' ledger; and/or
  - 9.1.2. A person to whose credit a Share is registered with a TASE member, which Share is included among the Shares registered in the Shareholders' ledger in the name of the relevant transfer agent.
- 9.2. The Company secretary or whoever shall have been appointed therefor by the Company's Board of Directors will be responsible for maintaining the Shareholders' ledger. A shareholder or transfer agent, as the case may be, is entitled to receive from the Company, free of charge, within two months after the allotment or registration of the transfer (unless the terms and conditions of the issue determine another time period) one certificate or several certificates, as the Company shall decide, with respect to all of the Shares of a certain class that are registered in their name which have been fully paid-up, specifying the number of shares, the class of shares (if any), and any other detail which is important in the opinion of the Board of Directors. In the case of a Share which is held jointly, the Company will not be obligated to issue more than one certificate for all of the joint holders, and delivery of such certificate to one of the joint holders shall be deemed as delivery to all of them.
 

The Company shall not issue share certificates as aforesaid unless it shall be requested to do so by a registered shareholder or by the transfer agent, as the case may be.
- 9.3. The Board of Directors may close the Shareholders' ledger for up to a total period of 30 days each year. Whilst the ledger shall be closed, no share transfer shall be registered in the ledger. Without derogating from the aforesaid, the Board of Directors may determine an effective date with respect to entitlement to vote at a general meeting or to receive payment of dividends or an allotment of any rights or for any other lawful purpose.
- 9.4. Any certificate shall be imprinted with the seal or stamp of the Company or its printed name, and shall bear the signature of one director and of the Company secretary or of two directors or of any other person who shall have been appointed by the Board of Directors for such purpose or in any other manner that the Board of Directors shall determine.
- 9.5. The Company may issue a new certificate in lieu of a certificate which was issued and lost or impaired or destroyed, based on proof and guarantees as the Company shall demand, and after payment of such amount as the Board of Directors shall determine, and the Company is

further entitled, in accordance with a resolution of the Board of Directors, to replace existing certificates with new certificates free of charge, subject to such conditions as the Board of Directors shall determine.

- 9.6. When two or more persons are registered as joint holders of Shares, each one of them may confirm receipt of a dividend or other payments in connection with such Share, which confirmation shall bind all of the holders of the Share.
- 9.7. The Company is entitled to recognize a holder of a Share as a trustee and to issue a share certificate in the trustee's name, provided that the trustee shall have notified it of the identity of the trust beneficiary, and shall not recognize another person, including the beneficiary, as having any right in the Share. The Company shall not be obligated or required to recognize a right which is based on the rules of equity or a conditional right or a future right, or a partial right to a Share, or any other right in connection with the Share, other than the absolute right of the registered holder with respect to each Share, other than based on a judicial decision or pursuant to the requirements of any law.

#### 10. **Transfer of the Company's Shares**

- 10.1. The Company's shares may be transferred.

No transfer of shares which are registered in the Shareholders' ledger in the name of a registered shareholder, including a transfer by or to the transfer agent, shall be registered unless an original signed letter of transfer of the Shares shall have been submitted to the Company ("Letter of Transfer"), all unless determined otherwise by the Company's Board of Directors. A Letter of Transfer shall be drawn up in the following manner or in as similar a manner as possible or in another manner to be approved by the Board of Directors.

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#### **Transfer Certificate**

I, \_\_\_\_\_ I.D. / Corporation No. \_\_\_\_\_ (the "**Transferor**") of \_\_\_\_\_ do hereby transfer to \_\_\_\_\_ I.D. / Corporation No. \_\_\_\_\_ (the "**Transferee**") of \_\_\_\_\_, in consideration for the sum of NIS \_\_\_\_\_ which he paid to me, \_\_\_\_\_ shares of par value NIS \_\_\_\_\_ each, numbered \_\_\_\_\_ to \_\_\_\_\_ inclusive, of \_\_\_\_\_ Ltd. (the "**Company**") to be held by the Transferee, his administrators, guardians and representatives, according to the conditions under which I held the share at the time of execution of this instrument, and I, the Transferee, agree to receive the said shares according to the above-mentioned conditions and subject to the Company's articles, as being from time to time.

**In witness whereof, we have hereto set our hands on \_\_\_\_\_**

Transferor -  
 Name: \_\_\_\_\_  
 Signature: \_\_\_\_\_

Transferee -  
 Name: \_\_\_\_\_  
 Signature: \_\_\_\_\_

Witness to Transferor's  
Signature -  
 Name: \_\_\_\_\_, Adv.  
 Signature: \_\_\_\_\_

Witness to Transferee's  
Signature -  
 Name: \_\_\_\_\_, Adv.  
 Signature: \_\_\_\_\_

=====

No transfer of shares which are not fully paid-up or of shares on which the Company has a lien or a pledge shall be valid unless approved by the Board of Directors, which may, at its absolute discretion, and without giving any reasons therefor, refuse to register such a transfer.

Subject to the provisions of these Articles or to the terms and conditions of issue of Shares of any class, the Shares in the Company's capital, the consideration for which shall have been paid in full to the Company, may be transferred without the need for the approval of the Board of Directors, with the exception of Shares, the consideration for which shall not have been paid to the Company in full, in respect of which the Board of Directors may refuse the transfer of such Shares, and the Board of Directors may also condition the transfer of such Shares upon the transferee's undertaking, at such scope and in such manner as the Board of Directors shall determine, to pay the transferor's liabilities in respect of the Shares or the liabilities for which the Company has a lien or pledge on the Shares.

- 10.2. The transferor shall continue to be deemed as the holder of the transferred shares until the name of the transfer recipient shall be registered in the Company's Shareholders' ledger.
- 10.3. A Letter of Transfer shall be submitted to the Company's registered office for the purpose of registration together with the certificates in which the Shares which are about to be transferred are registered (if issued), and any other proof which the Company shall require regarding the transferor's property right in the Shares or his right to transfer the same.
- 10.4. A co-holder of a Share who seeks to transfer his right in the Share but does not hold the share certificate will not be obligated to attach the share certificate to the Letter of Transfer, provided that the Letter of Transfer shall state that the transferor does not hold the share certificate in respect of the share, his right in which is being transferred, and that the transferred share is co-held with others, stating their details.
- 10.5. The Company may demand payment of a fee for registration of the transfer in such amount or at such rate as shall be determined by the Board of Directors from time to time.

- 10.6. Upon the death of a shareholder of the Company, the Company shall recognize the guardians or administrators, executors, and in their absence, the shareholder's lawful heirs as the only holders of the right to the shareholder's shares, after the entitlement thereto shall be proven, as the Board of Directors shall determine.
- 10.7. In the event that a deceased shareholder held shares jointly with others, the Company shall recognize the survivor as shareholder in respect of the said shares unless all of the co-holders of the share shall have given written notice to the Company prior to the death of one of them of their wish that the provisions of this article not apply, although the estate of a co-holder of a share shall not thereby be exempted from any duty which would have been owed by the co-holder of the Share, had he not passed away.
- 10.8. A person who acquires a right in shares due to his being a guardian, administrator, heir of a shareholder, receiver, liquidator or trustee in bankruptcy of a shareholder or pursuant to another legal provision, may, upon producing proof of his right as the Board of Directors shall demand, be registered as the holder of the shares or transfer the same to another person, subject to the provisions of the Articles with respect to transfer.
- 10.9. A person who acquires a right to a Share as a result of the transfer thereof by law will be entitled to dividends and the other rights in respect of the Share and will be entitled to receive and give receipts for dividends or other payments payable in connection with the Share, although will not be entitled to receive notices in connection with the general meetings of the Company (insofar as such a right exists) and to participate and vote therein in connection with such Share or to exercise any right which the Share confers, apart from the aforesaid, other than after his registration in the Shareholders' ledger.
- 10.10. So long as the Company's shares shall be listed on TASE, the Company's shares shall be registered in the name of the transfer agent and Shares shall be transferred through the transfer agent and not as stated in Articles 10.2 and 10.3 above.

11. **Bearer Share Deed**

The Company will not issue bearer share deeds.

12. **Pledge of Shares**

- 12.1. The Company shall have a senior pledge and a lien on all of the Shares which shall not have been fully paid-up which are registered in the name of any shareholder, and on the proceeds of the sale thereof, with respect to the money (whether already due and payable or otherwise), payment of which has already been called or which is payable at a fixed time for such Shares. The Company shall further have a senior pledge on all of the Shares (apart from fully paid-up Shares) which are

registered in the name of any shareholder, to secure the money which is due from him or from his property, whether debts of his own or jointly with others. The said pledge shall also apply to the dividends that shall have been declared from time to time in relation to such Shares.

- 12.2. In order to realize the pledge and the lien, the Board of Directors may sell the Shares to which the pledge applies, or any part thereof, in such manner as it shall deem fit. No such sale shall be made other than after written notice shall have been given to such shareholder regarding the Company's intention to sell the same, and the amounts shall not have been paid within fourteen days after the notice. The net proceeds from any such sale, after payment of the sale expenses, shall be used to pay the debts or liabilities of such shareholder, and the balance (if any) shall be paid to him.
- 12.3. In the event that a sale of Shares shall be made for the purpose of realizing a pledge or lien, whilst *prima facie* exercising the authorities granted above, the Board of Directors may register such Shares in the Shareholders' ledger in the buyer's name, and the buyer will not be required to inquire into the validity of the actions or the manner of application of the purchase price. After the said Shares shall have been registered in the Shareholders' ledger in the buyer's name, no person shall be entitled to challenge the validity of the sale.

### 13. **Changes in the Share Capital**

Subject to any law and the provisions of these Articles, the general meeting may resolve, at any time, to take any one of the following actions, provided that such resolution of the general meeting shall have been adopted by a simple majority, all subject to the provisions of Section 46B of the Securities Law, whereby so long as the Company's Shares are listed on TASE, the Company's share capital shall include one class of shares.

#### 13.1. **Increasing the authorized share capital**

To increase the authorized share capital of the Company, regardless of whether or not all of the shares authorized at such time shall have been issued. The increased capital shall be divided into shares with ordinary rights, preferred rights, deferred rights or other special rights (subject to special rights of any existing class of shares) or subject to conditions and restrictions with respect to dividends, reimbursement of capital, voting or to other conditions, as instructed by the general meeting in its resolution regarding the increase in the authorized capital, all subject to the provisions of Section 46B of the Securities Law, which determines that there shall be one class of shares in the capital of a company whose shares are listed on TASE for the first time, so long as the Company's shares are listed on TASE.

#### 13.2. **Change in Rights**

- a. At any time at which the share capital shall be divided into different classes, the Company shall be entitled, in a resolution adopted at the shareholders' meeting by a simple majority, unless the terms and conditions of the issue of the shares of the same class determine otherwise, to change the rights of a class of the Company's shares, provided that the written consent of all of the holders of the shares of such class shall have been received therefor or the resolution shall have been approved at a general meeting of the holders of the shares of such class, by a simple majority, or – in the event that it shall have been otherwise determined in the terms and conditions of the issue of a certain class of shares of the Company – as determined in the terms and conditions of the issue of such class of shares, all subject to the provisions of Section 46B of the Securities Law, which determines that there shall be one class of shares in the capital of a company whose shares are listed on TASE for the first time, so long as the Company's shares are listed on TASE.
- b. The provisions set forth in these Articles regarding general meetings shall apply, *mutatis mutandis*, to any class meeting.
- c. The rights conferred upon the shareholders or the holders of a class of shares, which shall have been issued with ordinary rights or preferred rights or other special rights, shall not be deemed to have been modified by the creation or issue of other shares with identical rights, or a modification of the rights of existing shares, unless otherwise stated in the terms of issue of such shares.

### 13.3. Consolidation of the Share Capital

To consolidate and re-divide the share capital thereof, in whole or in part, into shares of a greater par value than that stated in the Articles. In the event that, as a result of the consolidation, there shall be shareholders, the consolidation of whose shares leaves fractions, the Board of Directors may, if it shall receive the approval of the general meeting therefor in the resolution regarding consolidation of the capital as aforesaid:

- a. To sell the sum total of all of the fractions, and for such purpose to appoint a trustee in whose name the share certificates which include the fractions shall be issued, who shall sell the same, and the proceeds that shall be received, less fees and expenses, shall be distributed to the entitled persons. The Board of Directors shall be entitled to decide that shareholders who are entitled to proceeds, which are less than an amount to be determined thereby, shall not receive proceeds from the sale of the fractions as aforesaid, and their share in the proceeds shall be divided among the shareholders who are entitled to proceeds exceeding the amount to be determined, proportionately to the proceeds to which they are entitled;

- b. To allot to each shareholder in respect of whom the consolidation and re-division leave a share fraction, shares of a class of shares preceding the consolidation, fully paid-up, in such number whose consolidation with the fraction shall suffice for one whole consolidated share, and such allotment shall be deemed as valid shortly before the consolidation.
- c. To determine that shareholders will not be entitled to receive a consolidated share in respect of a fraction of a consolidated share which derives from the consolidation of one half or less of the number of shares whose consolidation creates one consolidated share, and shall be entitled to receive a consolidated share in respect of a fraction of a consolidated share which derives from the consolidation of more than one half of the number of shares whose consolidation creates one consolidated share.

In the event that an action according to Paragraphs b) or c) above shall require the issue of additional shares, then payment thereof shall be made in the manner in which stock dividends may be paid. Consolidation and division as aforesaid shall not be deemed as a modification of the rights of the shares which are the subject matter of the consolidation and division.

#### 13.4. Cancellation of Unallotted Authorized Share Capital

To cancel authorized share capital which has not yet been allotted, provided that there is no undertaking of the Company to allot such shares.

#### 13.5. Split of the Share Capital

To split the Company's share capital, in whole or in part, into shares of a smaller par value than that set forth in the Articles by dividing the Company's shares, in whole or in part, at such time.

### **Chapter Three – General Meetings**

#### 14. **Authorities of the General Meeting**

##### 14.1. Matters under the Authority of the General Meeting

Resolutions of the Company on these matters shall be adopted by the general meeting:

##### 14.1.1. Modifications to the Articles.

##### 14.1.2. Exercise of authorities of the Board of Directors, provided that the general meeting shall have determined, by a simple majority of the votes of the shareholders entitled to vote and voting, in person or by proxy, that the Board of Directors is unable to exercise its authorities and that the exercise of any

of its authorities is essential for the proper management of the Company.

14.1.3. Approval of activity and transactions which require the approval of the general meeting pursuant to the provisions of Sections 255 and 268 to 275 of the Companies Law.

14.1.4. Any resolution that is required to be adopted by law or according to the Articles in a resolution of a general meeting.

14.1.5. Any authority which is conferred upon the general meeting by law.

14.2. The General Meeting's Authority to Shift Powers between the Organs

The general meeting may, by a simple majority of the votes of the shareholders who are entitled to vote and are voting, either in person or by proxy, assume powers which are vested in another organ and shift powers which are vested in the CEO to the Board of Directors, all for a certain matter or for a certain period of time which shall not exceed the period of time required under the circumstances.

15. **Annual and Special General Meetings and Class Meetings**

15.1. Notice of a General Meeting

The Company shall deliver to the shareholders registered in the Shareholders' ledger notice of a general meeting by delivering notice by registered mail, addressed according to the address of such shareholder recorded in the Shareholders' ledger or according to such address as the shareholder shall have provided to the Company in writing as the address for delivery of notices.

Notice of a general meeting shall specify the location and time at which the meeting shall convene, its agenda, a summary of the proposed resolutions and any specification required by law.

16. **Deliberation at General Meetings**

16.1. Legal Quorum

No deliberation shall be started at a general meeting unless a legal quorum is present at the time of opening of the meeting and at the time of the deliberation. Legal quorum shall be formed upon the presence, in person or by proxy or by written proxy, of one or more shareholders who holds or represents (or hold or represent, if more than one shareholder is present) at least fifty-one percent (51%) of the voting rights of the Company.

16.2. Postponement of the General Meeting in the Absence of a Legal Quorum



In the event that two hours shall have passed from the time scheduled for the meeting and legal quorum shall not have been formed, the meeting shall stand adjourned until the third business day after the date of the meeting, at the same time and place, or at a later date and time or another place, as shall be determined by the Board of Directors in notice to the shareholders. The Company shall give notice through an immediate report of postponement of the meeting and the date of the adjourned meeting.

In the event that legal quorum shall not be formed at the adjourned meeting as aforesaid, legal quorum shall be formed upon the presence at the adjourned meeting, in person or by proxy or by written proxy, of one or more shareholders who holds or represents (or hold or represent, if more than one shareholder is present) at least forty percent (40%) of the voting rights of the Company, unless the meeting shall have been convened at the request of shareholders pursuant to the provisions of the Companies Law. In the event that legal quorum shall not be formed at the adjourned meeting which was convened at the request of the shareholders as aforesaid, legal quorum shall be formed upon the presence, at the adjourned meeting, in person or by proxy or by written proxy, of at least one shareholder.

16.3. Chairman of the General Meeting

The chairman of the board shall preside over any general meeting and in his absence, one of two deputy chairmen of the board, and in their absence, a person appointed therefor by the Board of Directors shall preside over the general meeting. In the absence of a chairman as aforesaid, or if he shall not have appeared for the meeting one hour after the time scheduled for the meeting, the shareholders present at the meeting, in person or by proxy, shall elect one of the directors or the officers of the Company, who are present at the meeting, as chairman, or if no director or officer shall be present or they shall have all refused to preside over the meeting, they shall elect one of the shareholders present or one of the officers present to preside over the meeting.

The chairman of the meeting shall have no additional or casting vote.

17. Shareholder Voting

17.1. Majority – Resolutions at the general meeting shall be adopted by a simple majority unless another majority is required by law or these Articles.

17.2. Confirmation of holding – A shareholder is required to provide the Company with confirmation of holding at least two business days before the date of the general meeting. The Company may waive such a requirement.

- 17.3. Voting by an incapacitated person – An incapacitated person may vote only through a trustee, natural guardian or other legal guardian, which persons may vote in person or by proxy.
- 17.4. Voting by co-holders of a share – Where two or more shareholders co-hold a share, one of them shall vote, either in person or by proxy. If more than one co-holder shall seek to participate in the vote, only the first co-holder may vote. For this purpose, the person whose name is recorded first in the Shareholders' ledger shall be deemed as the first co-holder.
- 17.5. Voting via a written proxy – in accordance with these Articles and the provisions of the Companies Law and the regulations promulgated thereunder, the shareholders of the Company are given the possibility of voting at general meetings of the Company on all of the matters required by law as well as on matters in respect of which the Company's Board of Directors shall decide, from time to time, to allow a vote, through written proxies.
- 17.6. Voting shall be performed by a count of votes. A resolution at a general meeting shall be adopted if voted for by the majority required pursuant to law or the provisions of these Articles.

## 18. **Appointment of Proxy**

### 18.1. Vote by proxy

Any shareholder may appoint a proxy to participate in and vote, in his stead, either at a specific general meeting or at general meetings of the Company generally, provided that a letter of authorization regarding the appointment of the proxy shall have been delivered to the Company at least 48 hours before the time of the general meeting, unless the Company shall have waived this requirement. A proxy is not required to be a shareholder of the Company.

If the letter of authorization is not for a specific general meeting, then a letter of authorization which shall have been deposited before one general meeting will also be valid for other subsequent general meetings.

The aforesaid shall also apply to a shareholder which is a corporation which appoints a person to participate in and vote at the general meeting in its stead.

### 18.2. Language of the letter of authorization

The letter of authorization shall be signed by the shareholder or by the person authorized therefor in writing, and if the principal is a corporation, it will be signed in the manner which binds the corporation. The Company may require that it be provided with written confirmation, to its satisfaction, regarding the authority of the

signatories to bind the corporation. A letter of authorization shall be drawn up in the language specified below. The Company secretary or the Company's Board of Directors will be entitled, at their discretion, to receive a letter of authorization in different form, provided that the changes are not material. The Company shall only accept an original letter of authorization or a copy of the letter of authorization, provided that it shall be certified by a notary or an attorney holding an Israeli license.

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### Letter of Authorization

**Date:** \_\_\_\_\_

**[Name of the Company  
Address of the Company]**

**Dear Sir / Madam,**

**Re: Annual / Special General Meeting of \_\_\_\_\_ (the "Company") to be  
held on \_\_\_\_\_ (the "Meeting")**

I, the undersigned, \_\_\_\_\_, I.D. / registration no. \_\_\_\_\_ of \_\_\_\_\_ St., as the registered holder of \_\_\_\_\_<sup>(\*)</sup> ordinary shares of par value NIS \_\_\_\_\_ each, hereby empower \_\_\_\_\_ I.D. No.<sup>(\*\*)</sup> \_\_\_\_\_ and/or \_\_\_\_\_ I.D. No. \_\_\_\_\_ and/or \_\_\_\_\_ I.D. No. \_\_\_\_\_ to participate in and vote in my name and on my behalf at the above-referenced Meeting and at any adjourned meeting of the above-referenced Meeting of the Company / at any general meeting of the Company until I shall notify you otherwise.

\_\_\_\_\_  
**Signature**

(\*) A registered shareholder may grant several letters of authorization, each relating to a different quantity of shares of the Company which are held by him, provided that he shall not grant letters of authorization for a larger quantity of shares than the quantity held by him.

(\*\*) In the event that the attorney @does not hold an Israeli I.D., state instead both the passport number and the country which issued it.

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### 18.3. Validity of a Letter of Authorization

A vote according to the letter of authorization shall be lawful even if the principal shall have previously passed away or become

incapacitated or become bankrupt or, if it is a corporation – been dissolved, or shall have cancelled the letter of authorization or transferred the share in respect of which it was cast, unless written notice shall have been received at the Company's registered office, prior to the meeting, that such event occurred.

18.4. Disqualification of Letters of Authorization

Subject to the provisions of any law, the Company secretary will be entitled, at his discretion, to disqualify letters of authorization if there is a reasonable concern that they are forged or that they were granted under shares, under which other letters of authorization were granted.

## **Chapter Four – The Board of Directors**

19. **Appointment of Directors and Cessation of their Office**

19.1. Number of Directors – The number of directors at the Company will be no less than seven (7) and no more than fifteen (15) (including outside directors) unless the general meeting shall resolve otherwise. Until the appointment of the outside directors, the number of directors at the Company shall be no less than five (5) and no more than thirteen (13) unless the general meeting shall resolve otherwise.

19.2. Appointment and Replacement of Directors at an Annual Meeting

19.2.1. The directors shall be elected each annual meeting and shall serve in their office until the end of the following annual meeting, and so long as no annual meeting shall have been convened, unless their office shall be vacated earlier in accordance with the provisions of these Articles. The elected directors shall take office commencing from the end of the meeting at which they were elected, unless a later date shall be determined in the resolution regarding their appointment.

19.2.2. The general meeting may, at any time, by a simple majority, dismiss a director and it may decide at such time to appoint another person in his stead. The director whose dismissal is on the agenda of the meeting shall be given a reasonable opportunity to present his position thereto.

19.2.3. At each annual meeting the directors who shall have been appointed at the previous annual meeting shall be deemed as having retired from their office. A retiring director may be reelected.

19.2.4. A special meeting of the Company may appoint directors for the Company in lieu of directors whose office shall have been terminated or in the event that the number of members of the Board of Directors shall have dropped below the minimum

determined in the Articles or by the general meeting. In addition, a special meeting of the Company may terminate the office of a director subject to the provisions of the Companies Law.

- 19.2.5. The provisions of Articles 19.2.1-19.2.4 above will not apply to the appointment and term of office of outside directors, whose number, qualification, appointment and expiration of office shall be subject to the provisions of the Companies Law.
- 19.2.6. The provisions of Section 230 of the Companies Law notwithstanding, a director's office will not be terminated other than as specified in this article.
- 19.3. Appointment of Directors by the Board of Directors – The Board of Directors may, by a simple majority, appoint an additional director or directors for the Company, whether to fill an office that shall have been vacated for any reason or as an additional director or directors, provided that the number of directors shall not exceed the maximum number of members of the Board of Directors. Any director so appointed shall serve until the first meeting that shall be held after his appointment, in addition to the directors whose office shall have expired as stated in Article 19.2 above. These directors shall be up for reelection by a simple majority at the general meeting unless their office shall have ended pursuant to law.
- 19.4. Date of commencement of a director's office – The elected directors (including the outside directors) shall take office commencing from the end of the general meeting at which they were elected or on the date of their appointment by the Board of Directors as stated in Article 19.3 above, as the case may be, unless a later date shall be determined in the resolution regarding their appointment.
- 19.5. Alternate director – Subject to the provisions of the law, a director may, from time to time, appoint himself an alternate director (“**Alternate Director**”), dismiss such alternate director and appoint another alternate director in lieu of any alternate director whose office shall have been vacated for any reason, whether for a specific meeting or permanently. The alternate director's identity shall be subject to receipt of the approval of the Company's Board of Directors prior to his appointment.
- 19.6. Director's attorney – Subject to the provisions of any law, any director and any Alternate Director may appoint an attorney to participate in and vote, in their stead, at any board meeting or board committee. Such appointment may be general or for the purpose of a specific meeting or meetings. In the event that a director or Alternative Director is present at a meeting as aforesaid, the attorney will not be able to vote in lieu of the director who appointed him. Such appointment will be valid in accordance with the provisions thereof or until cancelled by the

principal. A director or Alternate Director of the Company may serve as an attorney as aforesaid.

- 19.7. Termination of a director's office – In the event that a director's office shall be vacated, the remaining directors will be entitled to continue to act so long as the number of directors remaining shall not have fallen below the minimum number of directors determined in the Articles or by the general meeting. In the event that the number of directors shall have fallen below the aforesaid, the remaining directors will be entitled to act only in order to summon a general meeting of the Company.

- 19.8. Holding a meeting via means of communication and without convening

At a meeting which is held through the use of any means of communication, it is sufficient that all of the entitled directors who are participating in the deliberation and the vote can hear one another at the same time.

The Board of Directors may adopt resolutions also without actually convening, provided that all of the directors who are entitled to participate in the deliberation and to vote on the matter presented for resolution shall have agreed not to convene to deliberate such matter. In the event that resolutions shall have been adopted as aforesaid in this article, minutes of the resolutions shall be drawn up, including the resolution not to convene, and shall be signed by the chairman of the board. A resolution which is adopted in accordance with this article shall be valid for all intents and purposes as if adopted at a board meeting duly convened and held.

- 19.9. Fees of the members of the board of directors – Subject to the provisions of the Companies Law, the Company may pay directors a fee for fulfilling their duties as directors. A director may receive his reasonable expenses for travel and other expenses related to his participation in meetings of the Board of Directors and fulfilling his duties as a member of the Board of Directors. In addition, the Company may pay an additional fee to a director who shall have been requested to provide the Company with special services or to make special efforts for the Company, including travelling or staying outside of Israel, all subject to any law.

Remuneration and expenses for the outside directors shall be paid pursuant to the Companies Regulations (Rules regarding Remuneration and Expenses for an Outside Director), 5760-2000, or any regulations that shall substitute the same, all subject to any law.

20. **Chairman of the Board and Deputy Chairmen of the Board**

- 20.1. The Board of Directors will elect one of its members to serve as chairman of the board and shall determine, in the appointment resolution, the period for which he shall serve in his position. Unless

determined otherwise in the resolution regarding his appointment, the chairman of the board shall serve until another shall be appointed in his place or until he shall cease to serve as a director, whichever is earlier. In the event that the chairman of the board shall have ceased to serve as a director of the Company, the Board of Directors shall elect, at the first board meeting that shall be held thereafter, a new chairman. In addition, the Board of Directors shall elect for two of its members as deputy chairmen of the board and shall determine in the appointment resolution the period for which a deputy chairman of the board shall serve in his position. Unless determined otherwise in the resolution regarding his appointment, a deputy chairman of the board shall serve until another shall be appointed in his place or until he shall cease to serve as a director, whichever is earlier. In the absence of the chairman of the board from a board meeting or entirely, the deputy chairman of the board shall replace him for such meeting or until a new chairman of the board shall be appointed, as the case may be.

- 20.2. Casting vote – In the event that the votes on a resolution of the Board of Directors shall be tied, the chairman of the board, and in his absence the deputy chairman of the board or whoever shall have been elected to manage the meeting, shall have an additional vote.

21. **The Directors' Actions**

21.1. Summoning a board meeting

Any notice of a board meeting may be given orally or in writing, provided that the notice shall be given at least five (5) business days before the date scheduled for the meeting, unless all of the members of the Board of Directors or their alternates shall have agreed to shorten the said timeframe, provided that it will be a reasonable timeframe in advance. The aforesaid notwithstanding, the board of directors may convene for a meeting without notice only in urgent cases and with the consent of a majority of the directors.

Notice as aforesaid shall be given in writing, via facsimile, e-mail or other means of communication, all to such address or facsimile number, e-mail address or address to which notices may be sent via other means of communication, as the case may be, which the director shall have provided to the Company upon his appointment, or by written notice to the Company thereafter.

In the event that an alternate shall have been appointed, the notice shall be delivered to the alternate unless the director shall have given notice that he wishes for the notice to be provided also to him.

- 21.2. Legal quorum – Legal quorum for opening meetings of the Board of Directors and for the adoption of a resolution in the framework thereof will be a majority of the members of the Board of Directors who are not barred by law from participating in the meeting, in person or by an Alternate Director or their proxy, or any other quorum to be

determined by the Board of Directors by a simple majority of its members from time to time.

21.3. Validity of the directors' actions in the event of a disqualified director – Any and all actions taken in good faith at a board meeting or by a board committee or by any person acting as a director shall be valid notwithstanding any subsequent discovery of a flaw in the appointment of such director or person acting as aforesaid or that they or any of them were disqualified, as if any such person was duly appointed and qualified to be a director.

21.4. Voting – A director will be entitled to vote in person, through a power of attorney, in writing, via facsimile or orally if the meeting is via such means of communication that the directors participating are able to hear one another simultaneously.

21.5. Committees of the Board of Directors

Subject to the provisions of the Companies Law, the Board of Directors may appoint board committees.

The board committees will report to the Board of Directors on a current basis on its resolutions or recommendations in accordance with the determination of the Board of Directors. The Board of Directors may cancel a resolution of a committee which is instructed thereby although no such cancellation shall prejudice the validity of any committee resolution on which the Company shall have acted vis-à-vis another person who was unaware of the cancellation thereof.

## 22. Validity of Actions and Approval of Transactions

22.1. Subject to the provisions of any law, any and all actions taken by the Board of Directors or by a board committee or by any person acting as a director or as a member of a board committee, or by the CEO, as the case may be, shall be valid notwithstanding any subsequent discovery of any flaw in the appointment of the Board of Directors, the board committee, the director the committee member or the CEO, as the case may be, or that any of the said officers was disqualified from serving in his position.

22.2. Subject to the provisions of the Companies Law:

22.2.1. Holding shares of the Company and the Company's officer being an interested party or an officer of any other corporation, including a corporation in which the Company is an interested party, or which is a shareholder of the Company, will not disqualify the officer from serving as an officer of the Company. In addition, an officer shall not be disqualified from serving as an officer of the Company due to his engagement or due to the engagement of any corporation



as aforesaid in an agreement with the Company on any matter and in any manner.

- 22.2.2. A person's office as an officer of the Company will not disqualify him and/or his relative and/or another corporation in which he is an interested party, from engaging with the Company in transactions in which the officer has a personal interest in any way.
- 22.3. Subject to the provisions of the Companies Law, a transaction of the Company with an officer thereof or with a controlling shareholder thereof or a transaction of the Company with another person in which the officer or controlling shareholder of the Company has a personal interest and which is not an irregular transaction and is not regarding terms of office and employment, including exemption, insurance and indemnification, shall be approved as follows:
  - 22.3.1. An engagement as aforesaid in a transaction which is not irregular shall be approved by the Board of Directors or by the audit committee or by an officer of the Company who does not have a personal interest in the transaction (provided that such officer shall not approve engagements concerning the terms and conditions of the office and employment of the officers) or by another entity which shall be authorized by the Board of Directors.
  - 22.3.2. Transactions which are not irregular as aforesaid may be approved by giving general approval for a certain type of transactions or by approval of a specific transaction.
- 22.4. Subject to the provisions of the Companies Law, general notice which is given to the Board of Directors by an officer or a controlling shareholder of the Company regarding his personal interest in a certain body, with a specification of his personal interest, shall constitute disclosure by the officer or the controlling shareholder to the Company regarding his personal interest as aforesaid for the purpose of any engagement with a body as aforesaid in a transaction which is irregular or not irregular.

## **Chapter Five – The Officers, Secretary, Internal Auditor and Auditor**

### **23. CEO**

- 23.1. The Board of Directors may, from time to time, appoint a CEO for the Company and it may appoint more than one CEO. The Board of Directors may further dismiss the CEO or replace him at any time that it shall deem fit.
- 23.2. The CEO will be responsible for the current management of the Company's affairs in the framework of the policy determined by the

Board of Directors and subject to its instructions. The CEO will be subject to the supervision of the Board of Directors.

In addition, the management and performance authorities which shall not have been conferred in the law or in these Articles upon the CEO or another organ of the Company shall be conferred upon the Board of Directors. The Board of Directors will be entitled to delegate any of these authorities to the CEO, subject to the provisions of any law.

- 23.3. The CEO may, with the approval of the Board of Directors, delegate to another, who reports to him, any of his authorities; the approval may be general and in advance.
- 23.4. Without prejudice to the provisions of the Companies Law and any law, the CEO shall submit to the Board of Directors reports on such matters, dates and at such scope as shall be determined by the Board of Directors, whether in a specific resolution or in the framework of the procedures of the Board of Directors.
- 23.5. The CEO shall promptly give notice to the chairman of the board on any irregular matter which is material to the Company. In the event that the Company shall not have a chairman of the board or he is unable to fill his position, the CEO shall give notice thereof to all of the members of the Board of Directors.

#### 24. **Internal Auditor**

- 24.1. The Company's Board of Directors will appoint an internal auditor according to the audit committee's suggestion.
- 24.2. The organizational supervisor of the internal auditor will be the chairman of the board or as the Board of Directors shall determine from time to time.
- 24.3. The internal auditor shall submit, for the audit committee's approval, a proposal for an annual or periodic work plan, and the audit committee shall approve the same with such modifications as it shall deem fit.

#### 25. **Secretary**

The Board of Directors may appoint a secretary for the Company, under such conditions as it shall deem fit, and appoint a deputy secretary and determine the areas of their responsibilities and authorities. In the event that no secretary shall have been appointed for the Company, the CEO or any person who he shall authorize therefor, and in the absence of a CEO, any person who shall be authorized therefor by the Board of Directors, shall perform the duties determined for the secretary by any law, according to these Articles and according to a resolution of the Board of Directors.

The Company's secretary will be responsible for all of the documents that shall be kept at the Company's registered office, and shall manage the ledgers which the Company maintains pursuant to law.

26. **Auditor**

- 26.1. Subject to the provisions of the Companies Law, the general meeting may appoint an auditor for a period exceeding one year, as shall be determined by the general meeting.
- 26.2. The Board of Directors, following receipt of the audit committee's recommendations (which shall be delivered to the Company within a reasonable timeframe in advance) shall determine the fee of the Company's auditor for any audit action, as well as his fee for additional non-audit services, unless determined otherwise by the Company's general meeting.

**Chapter Six – Preservation and Distribution of the Company's Capital**

27. **Distribution and Allotment of Dividends and Stock Dividends**

A resolution of the Company regarding the distribution of a dividend, stock dividends or any other distribution, including a distribution which does not meet the effective profit test in the Companies Law and the terms and conditions thereof shall be adopted by the Company's Board of Directors.

28. **Dividend and Stock Dividends**

28.1. **Right to a Dividend or to Stock Dividends**

A dividend or stock dividends shall be distributed to whoever shall be registered in the Company's Shareholders' ledger on the effective date for the dividend and subject to any law.

28.2. **Payment of the Dividend**

- 28.2.1. The Board of Directors may resolve that the dividend shall be paid, in whole or in part, in cash or by way of a distribution of assets in kind, including securities, or in any other manner, at its discretion.

The Board of Directors may, before deciding upon the distribution of a dividend, remit from the profits any amounts, as it shall deem fit, to a general fund or a reserve fund for the distribution of a dividend, for the distribution of stock dividends or for any other purpose, as the Board of Directors shall determine, at its discretion.

Until use shall be made of the said funds, the Board of Directors may invest the amounts that shall have been remitted as aforesaid and the funds, any investment, as it shall deem fit, handle such investments, modify the same or make other use thereof, and it may divide the reserve fund into special funds and use any fund or part thereof for the purpose of the Company's business, without holding the same separately from the Company's other assets, all at the

discretion of the Board of Directors and under such conditions as it shall determine.

28.2.2. Manner of Payment

If no other instructions shall have been given in the resolution regarding the distribution of the dividend, it shall be permitted to pay any dividend, less the tax required by any law, by a check payable to the payee only, which shall be sent by registered mail according to the registered address of the shareholder entitled thereto, or by wire transfer or through the TASE member. Any such check shall be made out to the order of the person to whom it is being sent. A dividend in kind shall be distributed as shall be determined in the distribution resolution.

In the case of registered co-holders, the check shall be sent to the shareholder whose name is registered first in the Shareholders' ledger in reference to the joint holding.

Delivery of the check to the person whose name, on the effective date, is registered in the Shareholders' ledger as the holder of a share, or in the case of co-holders – of one of the co-holders, shall constitute a release with respect to all payments made in connection with such share.

The Company may resolve that no check below a certain amount shall be sent, and the dividend amounts which were supposed to be paid as aforesaid shall be deemed as an unclaimed dividend.

The Company may offset against the sum of the dividend to which a shareholder is entitled any debt of the shareholder to the Company, whether already due and payable or otherwise.

28.2.3. Unclaimed Dividend

The Board of Directors may invest any unclaimed dividend amount for one year after it shall have been declared or use the same in another manner for the benefit of the Company until claimed. The Company shall not be liable for payment of interest or linkage for an unclaimed dividend.

After the lapse of one year from the date of the payment of any unclaimed dividend, the Company shall be entitled to use such unclaimed dividend for any purpose, and the shareholder entitled to such unclaimed dividend will entertain no claim and/or lawsuit in connection therewith.

28.3. Manner of Capitalization of Profits to Funds and Distribution of Stock Dividends

### 28.3.1. Funds

The Board of Directors may, at its discretion, remit to special capital funds any amount from the Company's profits, or from revaluation of its assets, or its proportionate share in the revaluation of assets of its associated companies, and determine the purpose of such funds. The Board of Directors may further cancel such funds.

### 28.3.2. Distribution of stock dividends

Subject to the provisions of the Companies Law, the Board of Directors may decide upon the allotment of stock dividends and convert into share capital part of the Company's profits, within the meaning thereof in Section 302(b) of the Companies Law, from a premium on shares or from any other source which is included in its equity, as stated in its latest financial statements, in such amount as shall be determined by the Board of Directors and which shall be no less than the par value of the stock dividends.

Stock dividends which shall be allotted shall be deemed as fully paid-up.

For the purpose of distribution of stock dividends, the Board of Directors shall be entitled to resolve, as it shall deem fit, any difficulty that shall arise and to perform adjustments, including resolving that no share fractions shall be distributed, issuing certificates in respect of a cumulative quantity of share fractions, selling the fractions and paying the proceeds thereof to the persons entitled to receive the stock dividend fractions, and resolving that payments in cash shall be made to the shareholders, or that fractions whose value is less than such amount as shall be determined (and if not determined, then whose amount is less than NIS 50) shall not be taken into account for the purpose of performance of such adjustments.

## 29. Acquisition of Shares of the Company

The Company may acquire its own securities. If the Company shall acquire securities as aforesaid, it may cancel the same.

## Chapter Seven – Exemption, Indemnification and Insurance of Officers

### 30. Exemption of Officers

The Company may exempt, in advance and retroactively, an officer thereof from his liability, in whole or in part, for damage due to a breach of the duty of care thereto to the maximum extent permitted by any law.

31. **Indemnification of Officers**

The Company may indemnify officers thereof to the maximum extent permitted by any law. Without derogating from the generality of the aforesaid, the following provisions shall apply:

31.1. The Company may indemnify an officer thereof due to liability or an expense which shall have been imposed upon him or he shall have incurred due to an action which he took by virtue of his being an officer thereof, as specified below:

- a. A monetary liability that shall have been imposed upon him in favor of another person in a judgment, including a judgment issued in a settlement or an arbitration award that shall have been sanctioned by a court.
- b. Reasonable litigation expenses, including legal fees, that shall have been incurred by the officer due to an investigation or proceeding that shall have been conducted against him by an authority which is authorized to conduct an investigation or proceeding, and which shall have ended without the filing of an indictment against him and without a monetary liability having been imposed upon him as a substitute for a criminal proceeding, or which shall have ended without the filing of an indictment against him but with the imposition of a monetary liability as a substitute for a criminal proceeding in an offense which requires no proof of general intent or in connection with a monetary sanction.
- c. Reasonable litigation expenses, including legal fees, to be incurred by or charged to the officer by a court, in a proceeding filed against him by the Company or on its behalf or by another person, or in a criminal indictment from which he shall have been acquitted, or in a criminal indictment in which he shall have been convicted of an offense requiring no proof of general intent.
- d. A monetary liability imposed on an officer for the party harmed by the breach in an Administrative Proceeding, as aforesaid in Section 52AAB(a)(1)(a) of the Securities Law.
- e. Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees.

31.2. **Advance Indemnification**

The Company may give an advance undertaking to indemnify an officer thereof due to an expense or liability as specified in Article 31.1.a above, provided that the advance indemnification undertaking shall be limited to events which, in the opinion of the Board of Directors, are foreseeable in view of the Company's actual business at

the time of granting of the indemnification undertaking, as well as to such amount or criterion as the Board of Directors shall have determined are reasonable under the circumstances, and the indemnification undertaking shall state the events which, in the opinion of the Board of Directors, are foreseeable in view of the Company's actual business at the time of granting of the undertaking, as well as the amount and the criterion which the Board of Directors shall have determined are reasonable under the circumstances. The Company may further grant an advance undertaking to indemnify an officer thereof due to an expense or liabilities as specified in Articles 31.1.b, 31.1.c, 31.1.d and 31.1.e above.

### 31.3. Retroactive Indemnification

The Company may indemnify an officer thereof retroactively.

## 32. Officers' Insurance

32.1. The Company may insure officers thereof to the maximum extent permitted by any law. Without derogating from the generality of the aforesaid, the Company may engage in a contract to insure the liability of an officer of the Company due to liability which shall be imposed upon him due to an action which he took by virtue of his being an officer thereof, in each one of the following:

- a. A breach of the duty of care towards the Company or another person;
- b. A breach of the fiduciary duty towards the Company, provided that the officer shall have acted in good faith and had reasonable grounds to assume that the action would not prejudice the Company's best interests;
- c. A monetary liability that shall be imposed upon him in favor of another person;
- d. A monetary liability imposed on an officer for the party harmed by the breach in an Administrative Proceeding, as aforesaid in Section 52AAB(a)(1)(a) of the Securities Law.
- e. Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees.

## 33. Exemption, Indemnification and Insurance – General

33.1. It is clarified that the above provisions regarding exemption, indemnification and insurance neither intend nor shall intend to restrict the Company in any way in its engagement in a contract regarding exemption, insurance or indemnification of the following:

- 33.1.1. Any person who is not an officer of the Company, including employees, contractors or consultants of the Company, who are not officers thereof;
- 33.1.2. Officers of other companies. The Company shall be entitled to engage in a contract regarding the exemption, indemnification and insurance of officers of companies controlled thereby, affiliates or other companies in which it has any interest, to the maximum extent permitted by any law, and the above provisions regarding exemption, indemnification and insurance of officers of the Company shall apply in this regard, *mutatis mutandis*.
- 33.2. It is clarified that in this chapter, an undertaking in relation to exemption, indemnification and insurance as aforesaid vis-à-vis an officer may also be valid after the officer shall have ceased to serve in the Company.

## **Chapter Eight – Merger, Dissolution and Restructuring of the Company**

### **34. Merger**

The majority required for approval of a merger by the general meeting or a class meeting will be a simple majority.

### **35. Dissolution**

- 35.1. If the Company shall be dissolved, whether voluntarily or otherwise, the liquidator may, with the approval of the general meeting, distribute in kind among the shareholders parts of the Company's property, and may, with similar approval, deposit any part of the Company's property in the hands of trustees in favor of the shareholders, as the liquidator, with the abovementioned approval, shall deem fit.
- 35.2. Subject to special rights of shares, if shares with special rights shall have been issued, the Company's Shares shall rank *pari passu* in relation to the capital amounts paid or credited as paid on the par value of the Shares, with respect to reimbursement of the capital and participation in the distribution of surplus assets of the Company upon dissolution.

### **36. Restructuring of the Company**

- 36.1. Upon the sale of property of the Company, the Board of Directors or the liquidators (in the event of dissolution), if authorized therefor in a resolution that shall be adopted by the general meeting of the Company by a simple majority, may receive fully or partially paid-up shares, bonds, or securities of another company, Israeli or foreign, whether it has been or is about to be incorporated for the purpose of purchasing the Company's property, or part thereof, and the directors (if the Company's profits so allow) or the liquidators (in the case of



dissolution) may divide between the shareholders the shares or securities mentioned above or any other property of the Company, without realizing the same or depositing it with trustees for the shareholders.

- 36.2.** The general meeting may, in a resolution adopted by the Company's general meeting by a simple majority, resolve to assess the securities or the property mentioned above at such price and in such manner as the general meeting shall decide, and all of the shareholders will be obligated to accept any assessment or distribution so authorized and waive their rights in this respect, with the exception, in the event that the Company is about to be dissolved or is in the process of dissolution, of such lawful rights (if any) which, pursuant to the provisions of the law, cannot be modified or qualified.

## **Chapter Nine – Notices**

### **37. Notices**

- 37.1. Notice or any other document may be delivered by the Company to any shareholder who appears in the Shareholders' ledger of the Company, whether personally or by delivery via registered mail, addressed according to the registered address of such shareholder in the Shareholders' ledger or according to such address as the shareholder shall have provided to the Company in writing as the address for delivery of notices, or by the publication of announcements in two newspapers in Israel.
- 37.2. Any and all notices that are required to be given to the shareholders shall be given, in relation to co-held shares, to the person named first in the Shareholders' ledger, and any notice so given shall constitute sufficient notice to all of the co-shareholders.
- 37.3. Any notice or other document which is delivered or sent to a shareholder in accordance with these Articles shall be deemed as having been duly delivered and sent with respect to all of the shares held by him (whether with respect to the shares held by him only or by him jointly with others), even if such shareholder shall have passed away at such time or become bankrupt, or an order shall have been issued for its dissolution, or a trustee or liquidator or receiver shall have been appointed for his shares (regardless of whether or not the Company was aware thereof) until another person shall be registered in the Shareholders' ledger in his place as the holder thereof, and delivery or dispatch of notice or a document as aforesaid shall be deemed as sufficient delivery or dispatch to any person who has a right in such shares.
- 37.4. Any notice or other document which shall have been sent by the Company by mail according to an address in Israel shall be deemed as having been delivered within 48 hours from the time at which the letter containing the notice or the document shall have been posted, or within

five business days in the event that the address is overseas, and when proving the delivery, it shall be sufficient to prove that the letter containing the notice or the document was addressed to the correct address and dispatched at the post office.

- 37.5. Notice of a general meeting, insofar as is required to be given, shall be given in accordance with the provisions of Article 15.1 above.
- 37.6. No accidental omission in giving notice of a general meeting to any shareholder or non-receipt of notice of a meeting or other notice by any shareholder shall cause the cancelation of a resolution that shall have been adopted at such meeting or the cancelation of proceedings based on such notice.
- 37.7. Any shareholder and any member of the Board of Directors may waive his right to receive notice or his right to receive notice at a certain time and may agree that a general meeting of the Company or a board meeting, as the case may be, be convened and held despite his not having received notice thereof, or despite the notice not having been received by him at the required time.

\* \* \*

**Annex C**

**Amended Language of Letter of Exemption and  
Indemnification**

**Azrieli Group Ltd.**

**(the “Company”)**

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**Letter of Exemption and Indemnification**

- Whereas on May 6, 2010, the Company's board of directors resolved to approve the Company's undertaking for exemption and indemnification of officers of the Company, in accordance with the Companies Law, 5759-1999 (the "**Companies Law**"), and the terms of exemption and indemnification specified herein; and
- Whereas on May 6, 2010 the Company's general meeting also approved the said resolution in reference to the Company's directors and officers; and
- Whereas you are or were employed and/or may be employed and/or hold and/or held office and/or may hold office as an officer of the Company and/or of Subsidiaries as defined below, and the Company has explicitly undertaken to you to grant you a letter of exemption and indemnification as aforesaid; and
- Whereas the Company has undertaken, in the Prospectus dated May 12, 2010, as amended on May 25, 2010, that upon the appointment of new officers and directors in the future, either by the Company's general meeting or otherwise, the Company shall make a disclosure in the immediate report convening the meeting or in the immediate report on the appointment in another manner, also of the Company's decision to grant letters of indemnification and exemption as aforesaid; and
- Whereas on July \_\_ 2011 the Company's general meeting approved an amended version of the letter of exemption and indemnification,

**Therefore, the Company approves and undertakes to you, irrevocably, subject to the provisions of any law and the provisions of this letter of indemnification as follows:**

1. **Exemption from liability**

The Company hereby exempts you, in advance and in retrospect, subject to the provisions of any law and the resolutions specified in the preamble, of any liability, in whole or in part, for any damage to be caused thereto and/or having been caused thereto, either directly or indirectly, due to a breach of the duty of care you owe thereto and to Subsidiaries thereof, as defined below, in your acts or omissions, in your capacity as an officer of the Company or on behalf of the Company in the said Subsidiaries.

The aforesaid exemption shall not apply with respect to:

- (a) A breach of the fiduciary duty to the Company or a Subsidiary thereof or an associated company or another body, unless the officer shall have acted in good faith and had reasonable cause to believe that the act

would not prejudice the best interests of the Company or Subsidiaries thereof.

- (b) A breach of the duty of care committed intentionally or recklessly, unless committed only negligently.
- (c) An act performed with intent to unlawfully reap personal gain.
- (d) A fine, civil fine or penalty imposed on you.
- (e) Exemption in advance from liability to the Company due to a breach of the duty of care in distribution, as defined in the Companies Law.

The Company's undertakings according to this exemption clause shall be broadly interpreted, in a manner intended to fulfill the same, to the maximum extent permitted by law, for the purpose for which they were intended.

In any event of discrepancy between any provision in this letter of exemption and any mandatory provision of law which may not be modified or added to, the said provision of law shall prevail, without thereby prejudicing or derogating from the validity of the other provisions of this letter of exemption.

Nothing in this exemption clause shall derogate from the Company's indemnification undertaking as specified below.

## 2. **Indemnification Undertaking**

2.1 Without derogating from the Company's right to indemnify you retroactively as permitted in the Company's Articles of Association, the Company hereby irrevocably undertakes to indemnify you for any liability or expense, as specified below, to be imposed on you due to one or more of the following:

2.1.1 Your Acts in your capacity as an officer of the Company (including an act and/or omission during your term of office, performed or omitted prior to the date of this letter of exemption);

2.1.2 Your Acts in your capacity as an officer, employee or agent of the Company and/or Subsidiaries;

In this letter:

**"Companies Law"** - The Companies Law, 5759-1999, as being from time to time.

**"Securities Law"** - The Securities Law, 5728-1968, as being from time to time.

**"Officer"** - Within the meaning of this term in the Companies Law and/or in the Securities Law and the regulations promulgated

	thereunder and/or in any other law applicable to the activity of the Company and its officers, including a director and including any employee to whom the Company's board of directors shall decide to grant this letter of exemption and indemnification and an officer of the Company, holding and/or having held office on behalf of the Company in Subsidiaries.
<b>“Subsidiary” or “Subsidiaries” -</b>	Any corporation in which the Company holds control, within the meaning of this term in the Securities Law, and for purposes of this letter of exemption and indemnification – any affiliate of the Company and/or in another corporation, including a private company controlled thereby, through which the officer acted as such in the Company and/or Subsidiary and/or affiliate of the Company and/or another corporation.
<b>“Act and/or Derivative thereof”</b>	A legal action, either by act or omission, including any and all acts performed by you, and including acts prior to the date of this letter of exemption and indemnification, during your term of office as an officer of the Company and/or Subsidiaries, as defined above.
<b>“Securities” -</b>	Within the meaning thereof in Section 1 of the Companies Law.
<b>“Administrative proceeding” -</b>	A proceeding pursuant to Chapter H3 (Imposing a Monetary Sanction by the ISA), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) or I1 (Conditioned Arrangement for Avoidance of Taking Action or for Stopping Action) of the Securities Law, as amended from time to time.

## 2.2 Grounds for Indemnification:

The indemnification undertaking as stated in Section 2.1 above shall apply in respect of any liability or expense imposed on you due to your office in the Company and/or Subsidiaries, which is indemnifiable by any law and the Company's Articles of Association, as specified below:

- 2.2.1 A monetary liability to be imposed on you in favor of another person pursuant to a judgment, including a judgment issued in a settlement or an arbitration award approved by the court, provided that such acts relate, directly and/or indirectly, to one or more of the events specified in the **Annex** hereto, including due to acts you performed prior to the granting of this letter of exemption and indemnification, which in the opinion of the Company's board of directors are foreseeable in light of the Company's actual business at the time the undertaking is made, and further provided that the maximum amount of the indemnification due to all of the liabilities under this section shall not exceed the amount or standard specified in Section 2.2 below, determined by the Company's board of directors to be reasonable under the circumstances;
- 2.2.2 Reasonable litigation expenses, including attorneys' fees, incurred by or charged to you by a court, in a proceeding to be filed against you by the Company or on its behalf or by another person, or in a criminal indictment from which you shall be acquitted or a criminal indictment in which you shall be convicted of an offense requiring no proof of general intent;
- 2.2.3 Reasonable litigation expenses, including attorney's fees, incurred by you due to an investigation or proceeding conducted against you by an authority authorized to conduct an investigation or a proceeding, and having ended without the filing of an indictment against you and without a monetary liability being imposed upon you in lieu of a criminal proceeding, or having ended without the filing of an indictment against you but with the imposition of a monetary liability in lieu of a criminal proceeding in an offense requiring no proof of general intent or in connection with a monetary sanction ("**Litigation Expenses**");
- 2.2.4 A monetary liability imposed on you due to a payment for the party harmed by the breach in an Administrative Proceeding, as aforesaid in Section 52AAB(a)(1)(a) of the Securities Law.
- 2.2.5 Expenses incurred by you in connection with an Administrative Proceeding conducted in your matter, including reasonable litigation expenses, including legal fees.

### 2.3 **Maximum Indemnification Amount:**

- 2.3.1 The indemnification amount to be paid by the Company to all of the officers, in the aggregate, pursuant to all of the letters of indemnification issued and/or to be issued to them by the Company pursuant to the decisions specified in the preamble hereto, due to one or more of the events specified in the Annex, shall not exceed an amount equal to 20% (twenty percent) of the equity attributed to the Company's shareholders according to the Company's financial statements, either audited or reviewed, released shortly before the date of indemnification.
- 2.3.2 It is hereby clarified that the said indemnification payment does not prejudice your right to receive insurance proceeds for the events set forth in the letter of indemnification, which are insured with an insurance company, if any (received by you or the Company for you), in the context of any officers' liability insurance in the Company and subject to any law.
- 2.3.3 It is explicitly emphasized that the Company's payments shall constitute an "additional layer" over and above the sum of any and all insurance proceeds to be paid by the insurer, if any. If you bear any co-payment in respect of the events determined in the Annex hereto and/or legal defense costs, then the Company shall indemnify you for the co-payment amount you paid. Moreover, the Company's duty to indemnify you as provided herein shall not be prejudiced if you are insured other than by the Company, provided that you will not be indemnified more than once. It is further emphasized that this indemnification undertaking is not a contract in favor of any third party, including any insurer, and is non-assignable, nor shall any third party, including any insurer, have any right to demand the Company's participation in any payment for which an insurer is liable pursuant to an insurance agreement entered into therewith, other than the co-payment stated in such agreement.
- 2.3.4 If and insofar as the total indemnification amounts which the Company shall be required to pay to officers thereof, as stated in Section 2.1 above, shall at any time exceed the Maximum Indemnification Amount or the Maximum Indemnification Amount balance (as being at such time) pursuant to Section 2.2 above, then the Maximum Indemnification Amount or the balance thereof shall be divided among the officers being entitled to indemnification pursuant to this letter of exemption and indemnification, such that the indemnification amount to be received by each one of the entitled officers, as aforesaid, in practice, shall be calculated according to the ratio between the indemnifiable liability amount of each one of the entitled officers, and the indemnifiable liability amount of all of the said entitled officers, in the aggregate.

2.3.5 In the event that you shall have received indemnification and/or will be entitled to receive indemnification reimbursement from the insurer of an officers' insurance policy in respect of the indemnification event, the indemnification shall be given for the difference between the monetary liability amount imposed on the officer and/or the legal costs incurred by or charged to the officer, as aforesaid, and the amount received from the insurer in respect of the same matter, provided that the indemnification amount which shall be charged to the Company in respect of a monetary liability as specified in Section 2.1 above pursuant to this letter of indemnification, shall not exceed the Maximum Indemnification Amount.

2.3.6 If the Company shall have paid indemnification amounts to officers in the Company in respect of a monetary liability as specified in Section 2.1 above in the Maximum Indemnification Amount, the Company shall bear no additional indemnification amounts in respect of monetary liability as specified in Section 2.1 above, unless payment of the additional indemnification amounts shall be approved by the Company's organs being authorized to approve such an increase pursuant to any law, on the date of payment of the additional indemnification amounts and subject to a modification of the Company's Articles of Association, if required for this purpose, pursuant to any law.

#### 2.4 **Interim Payments:**

2.4.1 Upon the occurrence of an event, in respect of which you may be entitled to indemnification according to the aforesaid, the Company shall make available to you, from time to time, the funds required to cover the expenses and other various payments involved in the handling of any Legal Proceeding against you in connection with such event, including investigation proceedings, such that you will not be required to pay or finance the same yourself, and all subject to the conditions and provisions of this letter of indemnification.

2.4.2 In the event that the Company shall pay to or for you any amounts in the context of this letter of indemnification in connection with a Legal Proceeding as aforesaid, and it shall later transpire that you are not entitled to indemnification from the Company for such amounts, the provisions of Section 2.11 below shall apply.

#### 2.5 **Terms and Conditions for Indemnification:**



Without derogating from the aforesaid, the indemnification undertaking pursuant to this letter is subject to the following terms and conditions:

2.5.1 There is no lawful impediment to indemnifying you.

You shall notify the Company in writing of any legal proceeding (including, but not only, a demand of any kind, including an investigation by a competent authority, a legal claim and/or a civil claim, including a claim for monetary damages and/or a motion for declaratory relief) to be instituted against you in connection with any event which may be subject to indemnification, and of any threat to be given to you in writing whereby a legal proceeding will be instituted against you (a “**Legal Proceeding**”), with due promptness after first learning thereof, and in such timing as shall leave reasonable time until the date of response to such proceeding, as required by any law (the “**Indemnification Notice**”), and you shall deliver to the Company or to whomever it shall instruct you, any document in connection with such proceeding. Non-delivery of the Indemnification Notice, in accordance with the aforesaid, shall not release the Company from its undertakings pursuant to this letter of exemption and indemnification, other than in the event that non-delivery of the Indemnification Notice as aforesaid shall materially prejudice the Company’s rights and/or ability to defend in its name (in case it too shall be sued in the said proceeding) and/or your name against the claim, and to the extent of such prejudice.

2.5.2 For the avoidance of doubt, it is clarified that upon the occurrence of an event for which you may be entitled to indemnification, you may retain an attorney of standing according to your choice, other than an attorney who will not be acceptable to the Company on reasonable grounds, provided that you shall notify the Company of the identity of the attorney immediately upon learning of the need to appoint an attorney as aforesaid. In the event that you do not deliver such notice, the Company shall be entitled to appoint an attorney for you according to its discretion.

2.5.3 In the event that the Company shall appoint an attorney for you in accordance with the aforesaid, the Company shall be entitled to assume, wholly and not partially, the handling of your defense against such Legal Proceeding and/or to entrust such handling to any attorney of standing whom the Company shall choose for this purpose (other than an attorney who will reasonably be unacceptable to you), at its responsibility and expense. The Company and/or such attorney shall act in the context of such handling to bring the said Legal Proceeding to an end; the attorney thus appointed shall act and owe a duty of

loyalty to the Company and to you. Where in your or the attorney's opinion a concern shall arise of a conflict of interest, or circumstances shall exist which may create a conflict of interest between you and the Company and/or between you and any other officer of the Company who is a party to the proceeding, in your defense against such Legal Proceeding and/or if the officer's objection to the attorney appointed by the Company shall be based on other reasonable grounds, the appointed attorney shall notify you thereof and you shall be entitled to appoint an attorney on your behalf to handle your defense (provided that he shall be approved by the Company in writing prior to his appointment), and the provisions of this letter of exemption and indemnification shall apply to the reasonable expenses you shall incur in respect of the appointment of the attorney and the handling as aforesaid.

- 2.5.4 Per your request, the Company and/or the attorney it shall have chosen for you shall report, from time to time (in reasonable scope and frequency) on the manner of handling of your defense.
- 2.5.5 The Company shall not be entitled to end the said Legal Proceeding in a settlement and/or arrangement and/or agree to a settlement and/or arrangement, as a result of which you will be required to pay amounts for which you will neither be indemnified under this letter of indemnification, nor will be fully paid in the context of officer liability insurance at the Company which shall be purchased, if any, by the Company and/or Subsidiaries thereof, other than with your prior written consent to the settlement to be achieved. In addition, the Company shall not be entitled to refer the dispute which is the subject matter of the said Legal Proceeding to arbitration, mediation or conciliation, other than with your prior written consent thereto, provided that you shall not withhold such consent other than on reasonable grounds to be delivered to the Company in writing. For the avoidance of doubt, even if the dispute in the Legal Proceeding is referred to arbitration, mediation or conciliation or otherwise, the Company shall bear any and all costs associated therewith pursuant to this letter of indemnification, insofar as it is legally required in an ordinary legal proceeding.
- 2.5.6 The Company shall be entitled to settle a monetary liability or have a dispute decided by way of arbitration in connection with a monetary liability, only if the claim against you and/or the threat of a claim against you shall be lifted in full.
- 2.5.7 The aforesaid notwithstanding, the Company shall not be entitled to end the said Legal Proceeding by way of settlement and/or arrangement and/or refer the dispute which is the

subject matter of the said Legal Proceeding to arbitration and/or mediation or conciliation in cases of criminal charges against you, without your advance written consent. You shall be entitled to withhold your consent as stated in this paragraph at your sole discretion, and without being required to give reasons for your non-consent.

## **2.6 Cooperation with the Company**

- 2.6.1 At the Company's request, you shall sign any document authorizing it and/or any attorney as aforesaid, to handle, in your name, your defense in such Legal Proceeding and to represent you in connection therewith, according to the aforesaid. In addition, at the Company's request, you shall deliver to the Company and/or a third party in accordance with the Company's instructions, immediately, any document and/or power of attorney requested of you.
- 2.6.2 You shall cooperate with the Company and/or any attorney as aforesaid in any reasonable manner required of you by any of them in the context of their handling in connection with such Legal Proceeding, provided that the Company shall arrange for the coverage of any and all expenses and other various payments stated in Section 2.2 above, which shall be involved therein, such that you will not be required to pay or finance the same yourself, and all subject to the provisions of this letter of indemnification.
- 2.6.3 You further undertake to comply with any and all instructions of the insurers under any officer liability insurance in which the Company and/or you shall engage.

## **2.7 Coverage of Liabilities**

- 2.7.1 Regardless of whether or not the Company shall act as specified in Section 2.5.3 above, it shall arrange to cover any and all expenses and other various payments stated in Section 2.1 above, such that you will not be required to pay or finance the same yourself, and without thereby derogating from the indemnification assured to you according to the provisions hereof, and/or the insurance policy to be purchased by the Company from time to time, if any, and all subject to the provisions of this letter of indemnification.

## **2.8 Inapplicability of the Indemnification**

- 2.8.1 The Company shall not be required to indemnify you pursuant to this letter of indemnification for any amount to be paid by you according to the terms of the settlement arrangement in the Legal Proceeding which you shall have chosen to conduct yourself, unless the Company shall have agreed in writing to

such settlement or to the holding of such arbitration, as the case may be, which consent shall not be unreasonably withheld.

- 2.8.2 In addition, the indemnification shall not apply in case you admit to a criminal indictment of an offense requiring no proof of general intent, unless your admission received the Company's consent in advance and in writing.
- 2.8.3 The Company shall not be required to pay, pursuant hereto, moneys actually paid to or for you or in your stead in any manner whatsoever in the context of insurance (purchased by the Company) or any indemnification undertaking or anyone other than the Company, other than in an amount beyond the amount paid under the insurance policy and/or the other indemnification agreement. Nothing in this section shall derogate from the officer's rights with respect to the Company's bearing the co-payment stated in the policy and/or the remittance of insurance proceeds received by the Company from insurers due to the liability of the officer and/or legal costs incurred by him.
- 2.8.4 Furthermore, in the event that the indemnification under this letter shall be in respect of your office in Subsidiaries, then the indemnification under this letter shall only be made after exhaustion of all of your rights in the context of an insurance policy taken out by the relevant Subsidiary and/or according to an advance indemnification undertaking or a permit for indemnification in the Subsidiaries, if any.

For the avoidance of doubt, it is clarified that the amount of indemnification pursuant to this letter shall apply over and above (and in addition to) any amount paid (if any) in the context of insurance taken out by the Subsidiary and/or indemnification given by the Subsidiary as aforesaid.

If your demand to receive indemnification and/or insurance coverage due to an act you performed by virtue of your office in a Subsidiary and that may be indemnifiable pursuant to this letter of indemnification shall be rejected by the Subsidiary or the Subsidiary's insurance company, as the case may be, the Company shall pay you pursuant to this letter of indemnification, amounts to which you shall be entitled pursuant to this letter of indemnification, if any, and you shall assign to the Company your rights to receive amounts from the Subsidiary and/or according with the Subsidiary's insurance policy and authorize the Company to collect such amounts on your behalf, insofar as such authorization is required for the fulfillment of the provisions of this section. For this matter, you undertake to sign any document required by the Company for the assignment of your said rights and the

authorization of the Company to collect the said amounts on your behalf.

For the avoidance of doubt, it is clarified that nothing in this letter of indemnification grants the Subsidiary and/or any other third party any rights towards the Company, including, but without derogating from the generality of the aforesaid, a right to sue and/or demand any payment from the Company as participation in any indemnification and/or insurance coverage given to you by the Subsidiary due to an act you performed by virtue of your office in the Subsidiary.

2.8.5 The letter of indemnification specified above shall not apply with respect to:

- (a) A breach of the fiduciary duty to the Company or a Subsidiary thereof or an associated company or another body, unless the officer shall have acted in good faith and had reasonable cause to believe that the act would not prejudice the best interests of the Company or Subsidiaries thereof.
- (b) A breach of the duty of care committed intentionally or recklessly, unless committed only negligently.
- (c) An act performed with intent to unlawfully reap personal gain.
- (d) A fine or penalty imposed on you.

## 2.9 **Payment of the Indemnification**

Upon your request for payment in connection with any event under this letter, the Company shall take any and all actions required by law for payment thereof, and shall act to arrange any approval to be required in connection therewith, if any. If any approval as aforesaid shall be required for such payment, and such payment shall not be approved accordingly for whatever reason, such payment or any part thereof not approved as aforesaid shall be subject to the court's approval, and the Company shall act to obtain the same.

## 2.10 **Indemnification Period**

The Company's undertakings under this letter shall be available to you and/or your estate and/or alternate directors lawfully appointed by you, indefinitely, also after termination of your employment with the Company and/or your office as an officer of the Company and/or your office as an officer of Subsidiaries, as the case may be, provided that the acts for which the exemption or indemnification undertaking are given were performed during the term of your employment with the

Company and/or your office as an officer of the Company and/or of Subsidiaries of the Company.

#### **2.11 Reimbursement of Indemnification Amounts Paid**

In the event that the Company shall pay to or for you any amounts in the context of this letter in connection with such Legal Proceeding, and it shall thereafter transpire that you are not entitled to indemnification from the Company for such amounts, such amounts shall be deemed as a loan given to you by the Company, in addition to interest at the lowest rate determined from time to time by law, for the loan not to be deemed as a taxable benefit in the loan recipient's hands, and you shall be required to repay such amounts to the Company when required thereby in writing to do so, and according to such payment schedule as the Company shall determine.

### **3. Miscellaneous**

- 3.1 The Company undertakes to notify you of any event in respect of which the indemnification may apply, and of any event leading to termination of the insurance, as early as possible.
- 3.2 In this letter of indemnification, including in the Annex hereto, everything stated in the masculine also imports the feminine.
- 3.3 The terms in this letter of indemnification shall be interpreted in accordance with the Companies Law, and in the absence of a definition in the Companies Law, in accordance with the Securities Law, 5728-1968. The Annex to this letter of indemnification constitutes an integral part hereof.
- 3.4 The Company's undertakings according to this letter shall be broadly interpreted, in a manner intended to fulfill the same, to the maximum extent permitted by law, for the purpose for which they were intended. If it shall be ruled that any of the provisions of this letter of indemnification is unenforceable and/or invalid for whatever reason and/or in any event of discrepancy between any provision hereof and any mandatory provision of law which may not be modified or added to, the said provision of law shall prevail, without thereby prejudicing or derogating from the validity of the other provisions of this letter.
- 3.5 This letter of indemnification shall take effect upon your execution of a copy hereof in the space designated therefor and delivery of the signed copy to the Company.
- 3.6 The Company shall be entitled, at its sole discretion and at any time, to revoke its indemnification undertaking pursuant to this letter of undertaking, or reduce the Maximum Indemnification Amount hereunder, or restrict the events to which it applies, either in reference to all or some of the officers, insofar as it pertains to events occurring after the date of the change – and provided that it shall have given the

officer advance notice of such intention, in writing, at least 60 days before the effective date of its decision. For the avoidance of any doubt, it is hereby clarified that no such decision, which worsens the terms of this letter of undertaking or revokes the same, shall have retroactive effect of any kind whatsoever, and the letter of indemnification before the modification or revocation hereof, as the case may be, shall continue to be effective for all intents and purposes with respect to any event prior to the modification or revocation, even if the proceeding in respect thereof shall have been filed against the officer after the modification or revocation of the letter of indemnification.

- 3.7 Under any other circumstances, this letter of indemnification may not be modified unless signed by the Company and by you.
- 3.8 This letter of indemnification does not derogate from the Company's right to decide upon retroactive indemnification pursuant to the provisions of any law, and the undertaking to this indemnification does not derogate from the exemption granted to you by the Company in accordance with the aforesaid.
- 3.9 For the avoidance of doubt, it is hereby determined that this letter of indemnification is not a contract in favor of a third party, and is non-assignable. For the avoidance of doubt, in the event of death (heaven forbid), this letter of indemnification shall apply to you and your estate.
- 3.10 No waiver, laches, avoidance of action or the granting of an extension by the Company or by you shall be deemed, in any circumstances, as a waiver, nor shall prejudice the parties' rights and undertakings pursuant to this letter of exemption and indemnification and/or any law, nor shall bar such party from taking any legal and other measures required to exercise its rights as aforesaid.
- 3.11 This letter of indemnification shall be governed by Israeli law, and the competent court in Tel Aviv shall have sole jurisdiction over disputes arising from the implementation of this letter of exemption and indemnification.
- 3.12 The parties hereto represent that they have perused this letter of exemption and indemnification and have signed the same voluntarily and while understanding the content hereof.

In witness whereof, the Company has hereto set its hands, through its lawfully authorized signatories.

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**The Company**

I hereby confirm receipt of this letter and my consent to all the terms and conditions thereof.

\_\_\_\_\_  
**Officer's signature**

**Date:** \_\_\_\_\_



**Annex**

Subject to the provisions of the law, following are the events:

1. Issue of securities, including, but without derogating from the generality of the aforesaid, a public offering of securities pursuant to a prospectus, a private placement, an issue of stock dividends or any other securities offering, including the IPO prospectus to be released in May 2010.
2. A transaction within the meaning thereof in Section 1 of the Companies Law, including negotiations for engagement in a transaction, a transfer, sale, purchase or pledge of assets or liabilities (including securities), or the granting or receipt of a right in any one of them, the receipt of credit and the granting of collateral, and any act directly or indirectly involved in such transaction.
3. A report or notice filed pursuant to the Companies Law or the Securities Law, 5728-1968, including regulations promulgated thereunder, or according to rules or directives prevailing in a stock exchange in or outside of Israel, or the law of another jurisdiction which regulates similar issues and/or the non-filing of a report or notice as aforesaid.
4. A resolution regarding distribution, as defined in the Companies Law.
5. A restructuring or reorganization of the Company or any decision pertaining thereto, including, but without derogating from the generality of the aforesaid, a merger, split, arrangement between the Company and its shareholders and/or creditors under the Companies Law, a recapitalization of the Company, the organization, dissolution or sale of Subsidiaries, allotment or distribution.
6. An expression, statement, including the expression of a position or opinion made in good faith by the officer in the course and by virtue of his duties, including in the context of meetings of the board of directors or any of the committees thereof.
7. An act contrary to the Company's articles or memorandum of association.
8. An act or decision in connection with employment relations, including negotiations, engagement and implementation of personal or collective bargaining labor agreements, employee benefits, including a securities allotment to employees.
9. An act or decision pertaining to safety at work and/or work conditions.
10. Negotiations, engagement and exercise of insurance policies.
11. Formation of work plans, including pricing, marketing, distribution, instructions to employees, customers and suppliers and cooperation with competitors.
12. Decisions and/or acts pertaining to the environment, including hazardous substances.

13. Decisions and/or acts pertaining to the Consumer Protection Law, 5741-1981 and/or orders and/or regulations thereunder.
14. Negotiations, the making and performance of contracts of any kind whatsoever with suppliers, distributors, agents, franchisees etc. for the products marketed and/or sold by the Company or used thereby;
15. Negotiations, the making and performance of agreements with manpower contractors, service contractors, building contractors, renovation contractors, etc.
16. Reporting to the authorities.
17. Any one of the events specified above, in connection with the officer's office on behalf of the Company as officers in the Subsidiaries.
18. Any event and/or act that in respect of which indemnification may be made pursuant to the Improvement of Enforcement Proceedings in the ISA Law (Legislative Amendments), 5771-2011.

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