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Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000¹

By virtue of my authority under sections 15B(1)(a), 36 and 56(d)(2) of the Securities Law, 5728-1968 (hereafter — the Law), upon the recommendation of the ISA, after consultation with the Minister of Justice and with the approval of the Finance Committee of the Knesset, I enact the following regulations:

Chapter 1 General Provisions

Definitions:

1. In these regulations -

'General meeting', *'stock exchange'*, *'stock exchange in Israel'*, *'substantial shareholder'*, *'director'*, *'external director'*, *'officer'*, *'personal interest'*, *'transaction'*, *'relation'* - as defined in the Companies Law;

'Immediate report' — within the meaning thereof in section 36 of the Law;

'Private offering' — an offer to issue securities of a listed company that is not a public offering, and the total of all of the private offerings that comply with what is stated in paragraph (1) or (2) below shall be deemed one private offering if:

- (1) They were made during a period of twelve consecutive months, and they comply with one of the following:
 - (a) The offerings are to the same offeree or to someone on his behalf, his relation, a corporation controlled by him or controlled by his relation; when the offeree is a corporation - also to the controlling shareholder in the offeree, a relation of the controlling shareholder and a corporation controlled by the controlling shareholder or controlled by his relation;
 - (b) They stipulate consideration in rights in the same asset and different securities of one corporation shall be deemed the same asset;
- (2) They constitute part of one transaction or they are conditional upon one another.

'Exceptional private offering' -

- (1) A private offering of securities that grants twenty percent or more of the total of all the actual voting rights in the company before the offering; for this purpose, securities that may be converted into, or realized for, shares

¹ Kovetz HaTakanot (Collection of Regulations) 6051, 5760 (17 August 2000), p. 834;
Amendment: Kovetz HaTakanot (Collection of Regulations) 6235, 5763 (7 April 2003), p. 676.
Kovetz HaTakanot (Collection of Regulations) 6431, 5765 (7 April 2005), p. 53.

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that will be issued under the private offering shall be deemed to have been converted or realized;

- (2) A private offering as stated in section 270(5) of the Companies Law to a director or general manager or to someone who becomes, as a result of the offering, a controlling shareholder as defined in section 268 of the Companies Law;

'Substantial private offering' -

- (1) A private offering to an interested party or one private offering of securities, which grants five percent or more of the total of all the actual voting rights in the company before the offering, provided that it is not an exceptional private offering; for this purpose, securities that may be converted into, or realized for, shares that will be issued under the private offering shall be deemed to have been converted or realized;
- (2) A private offering to a director or to a general manager that is not an exceptional private offering;

'The ISA' - Israel Securities ISA;

'A listed company' - a company whose securities are listed for trade on a stock exchange in Israel;

'The Companies Law' - the Companies Law, 5759-1999;

'A business day' - a day on which most banking corporations in Israel are open for carrying out transactions with the public;

'Option' - a security that grants the holder thereof, in consideration of an amount payable at the time of conversion, a right to buy shares that a listed company will issue, on the date and on the terms stated in the private offering;

'Securities' - shares or securities that can be converted into, or realized for, shares, including rights to these;

'Offeree' - an offeree in a private offering;

'Asset' - including securities;

'Employee' - an employee who is the controlling shareholder or who will become the controlling shareholder as defined in section 268 of the Companies Law, a director or a general manager, who is offered the securities in an offering of securities to the employees of the listed company which is made under section 15(b)(1)(a) of the Law;

'An interested party' - within the meaning thereof in section 270(5) of the Companies Law;

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'*Financial Statements Regulations*' - the Securities (Preparation of Annual Financial Statements) Regulations, 5753-1993;

'*Periodic and Immediate Reports Regulations*' - the Securities (Periodic and Immediate Reports) Regulations, 5730-1970;

'*International accounting standards*' - the international accounting standards published by the International Accounting Standards Committee (IASC);

'*International auditing standards*' - are international auditing standards published by the International Auditing Practices Committee (IAPC). This is a committee of the International Federation of Accountants (IFAC).

Approval of listing for trade

2. A private offering of securities of a listed company requires the approval of a stock exchange in Israel, in accordance with its rules, to list for trade the securities that will be issued hereunder or securities deriving from the conversion or realization of the securities that will be issued hereunder.

Chapter 2 Exceptional Private Offering

Notice of exceptional private offering

3. (a) If the board of directors of a listed company decides upon an exceptional private offering, the company shall give notice, within fourteen days of the offering, of its details and the convening of a general meeting, if one is required to approve it, by the following three methods:
 - (1) Filing an immediate report under regulation 4 (in these regulations - the offering report or the report);
 - (2) Publication of a notice as stated in regulation 5, and if a meeting is required - a notice as stated in the Companies Regulations (Publication of Notice of a General Meeting and Class Meetings in a Public Company), 5760-2000, which also includes what is stated in regulation 5, in at least two daily newspapers with a wide circulation published in Israel in Hebrew (hereafter - the notice), on the date of filing the report or on the next business day thereafter;
 - (3) Sending the report by registered mail to a shareholder entitled to vote at a general meeting, at his request.
- (b) If the offering constitutes an event or matter that deviates from the normal business of the corporation as defined in regulation 36 of the Periodic and

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Immediate Reports Regulations, an immediate report shall also be filed under the said Regulations.

Offering report

4. (a) The offering report shall include every detail relating to the offering that may be important to a reasonable investor or to a reasonable shareholder for the purpose of voting at a general meeting, including -
- (1) The name of the offeree; when the offeree is a corporation and an interested party - details of the name and the holdings of the controlling shareholder of the offeree;
 - (2) If the offeree is an interested party, details of the facts that make him an interested party;
 - (3) The terms of the securities that it is proposed to issue, their quantity and the percentage amount that they will constitute of the voting rights and the issued and paid-up share capital of the company after the issue, and also with full dilution;
 - (4) The economic value of the securities that may be converted into, or realized for, shares, stating the assumptions that formed the basis for calculating this; with regard to an option, the economic value shall be calculated according to the calculation formula in the guidelines according to the rules of the stock exchange in Israel; if the company believes that the calculation formula in the rules of the stock exchange in Israel does not properly reflect the economic value of an option - it shall state its reasons and in addition thereto it shall set out the calculation that it made, stating the assumptions that formed the basis for its calculation and the calculation formula;
 - (5) If the offering is a part of a transaction — the transaction shall be described;
 - (6) The issued share capital of the company, the quantity and amount of holdings of the offeree, of principal shareholders in the company and the total holdings of the other shareholders in the issued and paid-up capital and the voting rights in the company, as follows:
 - (a) Before the issue;
 - (b) After the issue;
 - (c) If the securities are convertible - after the issue and on the assumption that the offeree will convert and realize the securities issued to him under the offering;
 - (d) After the issue, and on the assumption that all the existing securities and those being offered that may be converted into, or realized for, shares of the company are converted and realized;
 - (7) The consideration for the securities being issued, in accordance with the details required in regulations 7 to 14;

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- (8) The manner in which the consideration was determined;
- (9) The name of each substantial shareholder or officer in the company who has, to the best of the company's knowledge, a personal interest in the consideration, and the nature of his personal interest;
- (10) When the securities being offered are -
 - (a) Shares - details shall be given of the average price of the share in the six months prior to the date of publishing the report, taking account of every distribution, split or issue of rights, and the price of the share immediately prior to the resolution of the board of directors with regard to the offering and also immediately prior to publication of the report;
 - (b) Options - details shall be given of the price of the option, if options of the same series are listed for trade on the stock exchange, and the price of the share, immediately prior to the resolution of the board of directors with regard to the offering and also immediately prior to publication of the report;
 - (c) Bonds that are convertible into shares — details shall be given of the average price of the bonds in the three months prior to the date of publication of the report and the price of the bond, if bonds of the same series are listed for trade on the stock exchange, and the price of the share, immediately prior to the resolution of the board of directors with regard to the offering and also immediately prior to publication of the report;
 - (d) Securities from the same series as securities that are listed for trade on the stock exchange — details of the ratio in percentage terms between the price of the securities offered and the price on the stock exchange of that series immediately prior to publication of the report;
- (11) Details of the investment plans and the other goals that the consideration for the securities being offered is intended to achieve, when the consideration is in cash; details shall be given of the company's plans with regard to the asset acquired when the consideration is not in cash;
- (12) Approvals required or conditions stipulated for making the issue under the offering, whether they were received or fulfilled, and if not, on what date they are expected to be received or fulfilled;
- (13) Details of agreements, whether written or oral, between the offeree and a shareholder in the company or between one or more of the offerees inter se or between them and others, with regard to the purchase or sale of securities of the listed company or with regard to the voting rights therein, to the best of the company's knowledge after investigations made in this regard with the offerees, giving details of the investigations that it made;

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- (14) Details of any impediment or restriction on carrying out transactions with the securities being offered that will apply to the offeree, under the rules of the stock exchange in Israel, or under any law or undertaking that the offeree made, to the best of the company's knowledge;
 - (15) The reasons of the board of directors for approval of the private issue, for the value determined for the securities being offered and the value of the consideration for them, and the names of the directors who participated at the meeting of the board of directors concerning the approval of the offering, stating which of them is an external director of the company;
 - (16) The date of issuing the securities;
 - (17) The venue for convening the general meeting, if required, the time, the majority required, the date for determining the right of the shareholders to vote at the general meeting as stated in section 182 of the Companies Law, and the quantity of shares that constitutes the amount of the total voting rights if stipulated in the articles under section 89(3) of the Companies Law or the value of the shares if stipulated in the articles as stated;
 - (18) If the company determined that a deferred meeting will take place at a later date than that provided in section 78(b) of the Companies Law, that date shall be stated;
 - (19) The fact that an instruction given by the ISA or an employee that is authorized under regulation 17 may delay the convening of the general meeting;
 - (20) Details of the company's representative for dealing with the report, including the address of his office and his telephone and facsimile numbers.
- (b) The text of the voting form within the meaning of section 87 of the Companies Law shall be attached to the offering report.
 - (c) The report shall be signed by the company, stating the names and positions of the signatories.
 - (d) The cover of the report shall state all the details that must be included in the newspaper notice under regulation 5.

Details of notice

5. The notice shall include the following details:
 - (1) The name of the company;
 - (2) The name of the offeree;
 - (3) If the offeree is an interested party in the company, details of the facts that make him an interested party as stated;
 - (4) The terms of the offered securities, their quantity and the percentage amount that they constitute out of the voting rights and the issued and paid-up share capital of the company after the issue, and on the

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- assumption that the offeree will convert and realize the securities issued to him under the offering;
- (5) The consideration for the offered securities;
 - (6) If securities from the same series as the offered securities are listed for trade on the stock exchange, it shall state the price of the securities offered in the offering, the price on the stock exchange of securities from the same series immediately before publication of the report, and the ratio between them in percentages;
 - (7) The name of each director who has, to the best of the company's knowledge, a personal interest in the offering, and also the nature of this interest;
 - (8) The venue where the general meeting, if required, will be convened, the time thereof, the majority required thereat, the date for determining the right of the shareholders to vote at the general meeting as stated in section 182 of the Companies Law, and the amount of shares that constitutes the amount of all the voting rights if stipulated in regulations under section 89(3) of the Companies Law or the value of the shares if stipulated in regulations as stated;
 - (9) If the company determined that a deferred meeting will take place at a date later than the one prescribed in section 78(b) of the Companies Law, it shall state that date;
 - (10) The place and times when the report may be inspected.

Inspection and sending of documents

6.
 - (a) The company shall make available to the inspection of a shareholder, at his request, at a venue that it shall determine and subject to what is stated in any law, a copy of every document that relates to an exceptional private offering, including the documents that were presented to the board of directors within the framework of the proceedings of discussing and adopting the resolution in the matter.
 - (b) The company shall send to a shareholder, at his request, and subject to what is stated in any law, a copy of the said documents and also a copy of the offering report, and it may require him to pay for reasonable photocopying and delivery costs.

Consideration in cash

7. If the consideration for the securities offered in an exceptional private offering, in whole or in part, is in cash, the amount of the consideration, the dates for paying it and the terms of payment stipulated shall be stated in the report; if the company or a principal shareholder therein gave an offeree, directly or indirectly, a loan for the purchase of the offered securities, the details of the loan shall be included in the report, including the date of repayment, sureties and the linkage and interest terms.

Consideration by waiver of a liability

8. If the consideration for the securities offered in an exceptional private offering, in whole or in part, is a waiver of a liability, details of the liability and the waiver shall be set out in the report.

Consideration in securities or activity of a corporation, wholly or largely

9. If the consideration for the securities offered in an exceptional private offering, in whole or in part, is wholly or mainly the securities of a corporation or the transfer of a corporation's activity (hereafter - the corporation) -
- (1) Details shall be given in the report of the corporation for the period beginning two years before the first of January of the year in which the report is filed and ending immediately prior to the date of the report or the amendment to the report, as applicable, in accordance with the details prescribed in the schedule, in so far as every matter set out therein concerns the corporation and is material to the business or activity of the corporation;
 - (2) Financial statements as stated in regulation 10 shall be attached to the report.

Financial statements

(amendment: 2005)

10. Financial statements of the corporation (hereafter - the financial statements) shall be attached to the report as follows:
- (1) Annual financial statements - shall be attached when they are prepared in accordance with the Financial Statements Regulations or in accordance with international accounting standards;
 - (2) Interim financial statements - shall be attached when they are prepared in accordance with the Periodic and Immediate Reports Regulations or in accordance with international accounting standards;
 - (3) Notwithstanding what is stated in international accounting standards, in annual financial statements alongside every amount in the profit and loss account, the changes in net worth report and the cash flow report, the corresponding amount in each of the two previous reporting years shall be presented;
 - (4) If the reports were prepared in accordance with international accounting standards, the Securities Regulations (Presentation of Transactions between a Corporation and its Controlling Shareholder in Financial Statements), 5756-1996, shall not apply;
 - (5) The financial statements shall be attached in accordance with what is stipulated in regulation 56 of the Securities Regulations (Details, Structure and Form of Prospectus), 5729-1969, but wherever it says therein 'date of the prospectus', it shall be read 'date of the report' or 'date of the amendment to the report', as applicable;

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- (6) The financial statements shall be audited or reviewed, as applicable, in accordance with accepted Israeli auditing standards or in accordance with international auditing standards, in accordance with the rules according to which the statements were prepared;
- (7) The report of the accountant-auditor or the review, as applicable, shall be included in the offering report, and it shall state that the said reports comply with paragraphs (1), (2) and (6), and that the persons making them agreed ab initio to their inclusion in the report;
- (8) If the financial statements are not in Hebrew, they shall include a translation of the statements into Hebrew and a certificate of the translator as to the accuracy of the translation and his consent to the inclusion of the translation and the certificate in the report; for this purpose, 'financial statements' - including the audit report and the review report;
- (9) If the currency of the financial statements is not new shekels, the exchange rate of the currency shall be stated as of the date of the financial statements.

Corporation whose securities are listed for trade

11. If the securities of the corporation are listed for trade on the stock exchange in Israel, and it reports under section 36 of the Law and has not been given an exemption from reporting, the company shall be deemed to have complied with the requirements of regulations 9 and 10, if it has done the following two things:
 - (1) It included in the report the periodic report of the corporation for the last year ending before the date of publishing the offering report with the interim financial statements and the immediate reports published after the date of the last periodic report; such an inclusion may be done by way of reference;
 - (2) It included in the report a description of the corporation as stated in the first part of the schedule.In this regulation 'securities' - as defined in the Law.

Consideration for activity of a corporation that does not constitute the main activity of that corporation

12. (a) If the consideration for the securities offered in an exception private offering, in whole or in part, is the transfer of the activity of a corporation that does not constitute its main activity -
 - (1) The report shall describe the said activity in the first part of the schedule, in so far as any matter set out therein concerns the corporation and is material to the business or the activity of the corporation;
 - (2) The description shall be given for the period beginning two years before the first of January of the year in which the report is filed and ending immediately prior to the date of the report or the amendment of the report, as applicable.

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- (3) The description shall relate only to figures from the financial statements which were prepared in accordance with accepted Israeli accounting standards or in accordance with international accounting standards, and which are audited or reviewed, as applicable, and for which an opinion was given without any reservations;
 - (4) An explanation of accounting policy shall be included in the financial statements and it shall state the rules according to which they were prepared; it shall state the name of the accountant who signed the report of the accountant-auditor (hereafter - the auditor's report) and that he consented to the auditor's report being mentioned in the report.
- (b) If the transferred activity is a sector in the financial statements of the corporation, the report shall include, in addition to what is stated in sub-regulation (a), also the figures of the sector report from the corporation's statements.

Consideration in several assets

13. If the consideration for the securities offered is in several assets, the provisions of regulations 9 to 12 shall not apply and regulation 14 shall apply to an asset among the assets offered as consideration, with regard to which the board of directors of the company thinks that the securities issued in consideration for it grant less than five percent of the voting rights in the company; if the board of directors think as aforesaid, the calculation made by the board of directors and the assumption on which they relied shall be set out in the report.

Consideration in another asset

14. If the consideration for the offered securities, in whole or in part, is an asset which is not included in regulations 9 to 12, the report shall include a description of the asset, including the rights and liabilities accompanying it or involved in transferred it.

Professional opinion

15. (a) If the value of the consideration in an exceptional private offering is determined by relying also on a professional opinion, the opinion shall be included in the report.
- (b) The opinion shall include, inter alia, the following details:
- (1) A personal signature of the person, who gave the opinion, stating his name and the date of the signature;
 - (2) Consent ab initio of the person who gave the opinion to its inclusion in the offering report;
 - (3) If an undertaking was made to indemnify the person who gave the opinion for his opinion, this fact shall be stated and details of the

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- terms of the indemnity and the identity of the person making the indemnity shall be given.
- (4) The date as of which the value stated in the opinion is correct (hereafter — the date of validity);
 - (5) The opinion shall include details of the facts, assumptions, calculations and forecasts on which the person who gave the opinion relied, the model used in the opinion and the reasons for choosing it.
- (c) If the opinion does not include the details stated in sub regulation (b)(5), the company shall supplement them in the offering report.
 - (d) If the date of validity was more than ninety days before the date on which the board of directors of the company approved the offering, all of the following shall be stated in the report:
 - (1) That the board of directors relied on an opinion whose date of validity was more than ninety days before the date on which the board of directors approved the offering;
 - (2) The period that has passed from the date of validity until the approval of the offering by the board of directors;
 - (3) The changes that took place after the date of validity that may change the value of the consideration as determined in the opinion, and the reasons of the board of directors for relying on the opinion notwithstanding these changes.
 - (e) If the date of validity is more than ninety days before the date of convening the general meeting, details shall be given of the changes to the asset from the date of validity until the date of filing the report or the amendment to the report, as applicable.

Asset bought by the offeree

- 16. If the consideration includes an asset that the offeree bought within the twenty-four months that preceded the date of filing the report (hereafter — a previous transaction), details shall be given of the consideration in the previous transaction, its terms and the date on which the asset was bought; if the consideration that was paid in the previous transaction was substantially different from the value determined for the asset for the purpose of the offering, details shall be given of the changes from the date of the previous transaction until the date of the offering report that may explain the change in the value.

Instruction given by the ISA or by its authorized employee

- 17. (a) Within twenty-one days of the date of filing the report, the ISA may instruct the company to give, within a period that it shall determine, an explanation, details, information and documents with regard to the offering that is the subject of the report, and it may also instruct the company to amend the report, in a manner and by a date that it shall determine.

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- (b) If an instruction was given to amend the report as stated, the ISA may order the deferral of the date of the general meeting to a date that will occur no earlier than three business days and no later than twenty-one days after the date of publishing the amendment to the report.
- (c) The company shall file an amendment in accordance with an instruction as stated in the manner set out in regulation 3(a)(1), send it to all the shareholders to whom the offering report was sent and also publish a notice that gives details of the date of the general meeting, if required, the fact that an amendment was made to the report on the instruction of the ISA and the main points of the amendment, all of which unless the ISA orders otherwise.
- (d) If an instruction was given with regard to the deferral of the date for convening the general meeting, the company shall give notice of the instruction in an immediate report.
- (e) If twenty-one days pass from the date of filing the report and no instruction is given under this regulation, the company may issue the securities in accordance with the offering, provided that all the other conditions stipulated under these regulations and under the law are fulfilled.
- (f) For the purpose of this regulation and regulation 19, "the Israel Securities Authority" is - the ISA or its authorized employee.

**Amendment of an exceptional private offering report
at the request of the company**

18. (a) If a company applies to change any of the details included in an offering report after it is published -
- (1) It shall publish an amendment to this report in an immediate report;
 - (2) It shall send it to all the shareholders to whom the offering report was sent;
 - (3) It shall publish a notice in two daily newspapers in which the notice as stated in regulation 3(a)(2) was published, on the date of filing the amendment to the report or on the next business day thereafter, in which details are given of the date of the general meeting, if required, the fact that an amendment was made to the offering report and the main points of the amendment, and the place where, and the times when, it is possible to inspect the report.
- (b) If the amendment is filed less than three business days before the meeting, the company shall postpone the general meeting by at least three business days.
- (c) The provisions of regulation 17 shall apply, mutatis mutandis, to an immediate report under this regulation.

Depositing the transaction report with the ISA before its publication

19. (a) A listed company may deposit with the ISA, within fourteen days of the date of approval of the transaction by the board of directors, a preliminary offering report that will include all the details prescribed in regulation 4, when it is signed as stated in regulation 4(c) (hereafter — the preliminary report) and the powers of the ISA as stated in regulation 17(a) shall apply thereto, *mutatis mutandis*.
- (b) On the date of depositing the preliminary report, the company shall submit an immediate report which describes the main points of the decision of the board of directors with regard to the offering (in this section — the synopsis report); in the synopsis report the company shall state that it is going to file an offering report before approval of an exceptional private offering at the general meeting, if required, in which the date of the general meeting shall also be stated.
- (c) If an instruction is given to the company to amend the preliminary report as stated in sub-regulation (a), the company shall file it after it has been amended in accordance with the instruction given and shall give notice of the convening of a general meeting to approve the transaction, if such a meeting is required.
- (d) If twenty-one days have passed from the date of depositing the preliminary report, and the ISA has not contacted the company to give an instruction as stated in sub-regulation (c), the company shall submit the report as stated in regulation 3 and the provisions of regulation 17 shall apply.
- (e) If the preliminary report is revised or changed, the listed company shall notify the ISA about the changes that it made.

Chapter 3**Substantial and Insubstantial Private Offering****Substantial private offering**

20. If the board of directors of a listed company resolved upon a substantial private offering, the company shall publish an immediate report, within seven days of the date of the resolution; the immediate report shall give details of every item concerning the substantial private offering that may be important to a reasonable investor or a reasonable shareholder, including -
- (1) The name of the offeree; when the offeree is a corporation and an interested party — details of the name and holdings of the controlling shareholder in the offeree;

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- (2) If the offeree is an interested party, details of the facts that make him an interest party;
- (3) The terms of the securities of the proposed issue, their amount and the extent in percentages that they will constitute in the voting rights and the issued and paid-up capital of the company after the issue, and also with full dilution;
- (4) If securities from the same series as the offered securities are listed for trade on the stock exchange, the details shall include the price of the offered securities and the price on the stock exchange of securities from the same series on the day preceding the date of publication of the immediate report, and the ratio between them in percentages;
- (5) The economic value of the securities that may be converted into, or realized for, shares, stating the assumptions that formed the basis for calculating this; with regard to an option, the economic value shall be calculated according to the calculation formula in the guidelines of the rules of the stock exchange in Israel; if the company thought that the calculation formula in the rules of the stock exchange in Israel does not properly reflect the economic value of an option - it shall give its reasons and it shall state in addition thereto the calculation that it made, giving details of the assumptions that formed the basis of its calculation and the calculation formula;
- (6) If the offering is part of a transaction - the main points of the transaction shall be stated;
- (7) The issued share capital of the company, the amount and extent of the holdings of the offeree, the principal shareholders in the company and the total holdings of the other shareholders in the issued and paid-up capital and the voting rights in the company, as follows:
 - (a) Before the issue;
 - (b) After the issue;
 - (c) In the case of convertible securities - after the issue, on the assumption that the offeree will convert and realize the securities issued to him in accordance with the offering;
 - (d) After the issue, on the assumption that all the existing and offered securities that may be converted into, or realized for, shares of the company are converted and realized;
- (8) Details of the consideration; if the consideration is in an asset which is not cash, details shall be given of the main facts with regard to the asset;
- (9) The way in which the consideration was determined;
- (10) The name of each substantial shareholder or officer in the company who has, to the best of the company's knowledge, a personal interest in the consideration, and the nature of the personal interest of each of them;
- (11) Approvals that are required or conditions that have been stipulated for making the issue in accordance with the offering, whether they were received or fulfilled, and if not, on what date they are expected to be received or to be fulfilled;

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- (12) Details of agreements, whether written or oral, between the offeree and a shareholder in the company or between the offerees, in whole or in part, between themselves inter se or between themselves and others, with regard to the purchase or sale of securities of the listed company or with regard to the voting rights therein, to the best of the company's knowledge, after it made investigations, giving details of the investigations that it made;
- (13) Details of an impediment or restriction on carrying out transactions in the offered securities that will apply to the offeree, under the rules of the Stock Exchange in Israel, under any law or under an undertaking made by the offeree, to the best of the company's knowledge;
- (14) The date of issuing the securities.

**Private offering that is not a substantial
Private offering**

21. If the board of directors of a listed company resolved upon a private offering that is not a substantial private offering or an exceptional private offering, the company shall publish an immediate report, which shall give the following details:
 - (1) The terms of the offered securities, their amount and the extent in percentages that they will constitute in the voting rights and the issued and paid-up capital of the company after the issue, and also with full dilution;
 - (2) If securities from the same series as the offered securities are listed for trade on the stock exchange, the details shall include the price of the offered securities and the price on the stock exchange of securities from the same series on the day preceding the date of publication of the immediate report, and the ratio between them in percentages;
 - (3) The consideration;
 - (4) Agreements, whether written or oral, between the offeree and a shareholder in the company or between the offerees, in whole or in part, between themselves inter se or between themselves and others, with regard to the purchase or sale of securities or with regard to the voting rights, to the best of the company's knowledge, after it made investigations, giving details of the investigations that it made;
 - (5) Details of an impediment or restriction on carrying out transactions in the offered securities that will apply to the offeree, under the rules of the Stock Exchange in Israel, under any law or under an undertaking made by the offeree, to the best of the company's knowledge.

Chapter 4 Miscellaneous Provisions

Immediate report about the results of the meeting

22. No later than one business day after a general meeting convened for approval of a private offering, the company shall file an immediate report about the results of the vote at the meeting, which shall include the following details: the total of all the shares that participated in the vote, the number of shares that voted for the offering and against it, and the extent of these out of the total of all the shares counted for the purpose of the vote, distinguishing between persons with a personal interest in the transaction and those persons who have no personal interest in the transaction.

The date for filing an immediate report

23. An immediate report shall be filed as stated in regulation 30 of the Periodic and Immediate Reports Regulations, unless these regulations state otherwise.

Electronic reporting (amended 5763)

- 23A. A report, notice or any other document that should be filed with the ISA or the stock exchange under these regulations shall be filed in accordance with the Securities (Electronic Signature and Reporting) Regulations, 5763-2003.

Issue to employee

24. These regulations shall apply also to an issue of securities to an employee under a description within the meaning thereof in section 15B(1) of the Law.

Exemption for disclosure in a report

25. (a) A listed company shall be exempt from disclosure of a detail in a report in accordance with these regulations if the ISA sees that the conditions prescribed in section 19(a)(1) of the Law are fulfilled, *mutatis mutandis*.
(b) If an exemption from disclosure is given under this regulation, this shall be stated in the report.

Upholding of laws

26. The provisions of these regulations shall not derogate from the provisions of any law with regard to the filing of reports.

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27. Anyone who breaches one of the provisions of these regulations is liable to six months' imprisonment or a fine as stated in section 61(a)(1) of the Penal Law, 5737-1977.

Repeal

28. The Securities Regulations (Issue of Securities in a Company that were offered other than to the Public), 5752-1992 (hereafter — the Issues Regulations), are *repealed*.

Commencement

29. These regulations shall come into effect seven days after they are published.

Transition provisions

30. A report that is filed under the Issues Regulations before their repeal shall be subject to the Issues Regulations only.

Schedule

(Regulation 9(1), 11(2) and 12(a)(1))

The following details shall be given with regard to the activity of the corporation as expressed in its consolidated financial statements:

**Part 1
Description**

- (a) **A description of the corporation, its activities and its business environment**
A description shall be given of the corporation, its activities and its business environment, which shall include the following:
1. Main areas of the corporation's business and changes that have occurred to these during the described periods;
 2. A description of main sectors or products, including the income and gross profit deriving from each main sector or product, as applicable;
 3. Fields in which the corporation operates, as well as the aspects of licensing, taxation and Government supervision with regard thereto;
 4. Details about the competition, competitors, and the market position of the corporation as compared with its competitors, in each of the corporation's fields of activity, to the best of the company's knowledge;
 5. A description of marketing in the corporation;
 6. A characterization of the corporation's customers and a description of

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- substantial contracts with customers; the names of customers shall be stated if the sales to them constitute ten percent or more of the total of all the sales in the described period, including the extent of the sales to them; dependence on customers;
7. Dependence on suppliers, including marketers or dependence on sources of raw materials;
 8. The following details, to the best of the company's knowledge, with regard to each of the main projects in which the company is participating: the total financial scope, the amount of the investment, the percentage of performance and prepayments received by the end of each of the periods described, the planned date of completion and the amount of profit credited in the financial statements or the amount of the provision for a loss for each of the described periods, a cost assessment for completing the project;
 9. The following details, to the best of the company's knowledge, with regard to each of the main projects in research and development, in which the company is participating: a description of the product being developed, the date for beginning the project, the anticipated date of completion, stages determined and the current stage of the project, the total investment in the project up to the date of the transaction report, a cost assessment for completing the project;
 10. Unique characteristics of the manufacturing project; planned investments for the coming season in product lines should be stated; the extent of utilizing the production capacity out of total production capacity; the extent of actual production and the total of all production capacity with regard to each main product;
 11. The organizational structure of the corporation, stating the number of employees and whether there is a dependence on an employee;
 12. A description of the major legal actions and administrative proceedings to which the corporation is a party;
 13. Any exceptional transaction with the controlling shareholder in the corporation or in which the controlling shareholder has a personal interest and which binds the corporation as of the date of the transaction report;
 14. The names of those holding more than twenty-five percent of the issued share capital or of the voting rights or of the power to appoint directors in an affiliate of the corporation, in which the corporation's share of profits or assets or liabilities as stated is material for the corporation, and the extent of their holdings; the said details shall be included, to the best of the company's knowledge, and shall be updated as of the date of the transaction report;
 15. With regard to a corporation that is a partnership for oil explorations - the following details, to the best of the company's knowledge, with regard to each of the oil assets: actions carried out within the framework of the exploration plan, deviations from the conditions determined in the license or in the preliminary permit, and actions taken with regard to such deviations, the explorations budget, the share of the partnership in the

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budget, expenses during the described periods, the amount of expenses included in the profit and loss account during the described periods and the amount of expenses included in the last balance sheet;

16. The accumulation of orders as of the date of the transaction report, presented according to the performance or supply dates, to the best of the company's knowledge, during each period of three months beginning on the date of the report;
17. Events that may indicate financial difficulties or exceptional events, such as: reorganization of the corporation, efficiency drives initiated, an appointment or cancellation of an appointment of a supervisor, receiver or liquidator of the corporation's assets, approval of a patent, employment disputes, and the effect of each one of these on the state of the corporation's affairs;
18. The special characteristics and risk factors in the activity of the corporation in each field in which it is active.

(b) **Effect of external parties**

Explanations shall be given of the effects of events and developments that are external to the activity of the corporation, which occurred and are known to the corporation and affected or may affect the state of the company's business, such as: relevant technological developments, the Government's economic policy, exposure of local production to competing imports and the removal of import restraints, standards and enforcement in the field of the environment, the imposition of protective taxes, changes in the exchange rate, the security situation, legislation and subordinate legislation relating to the corporation and trade agreements; in cases where the extent of the effect of events and developments as stated on the state of the corporation's affairs cannot be quantified, only a description shall be included of the facts relating to the matter and it shall be stated that it is not possible to quantify the said effect.

(c) **Capital of the corporation**

A description shall be given of the capital of the corporation, including securities that can be converted or realized, which have not yet been converted or realized on the date of the transaction report, and the terms thereof.

(d) **Shareholders of the corporation**

1. Details shall be given, to the best of the company's knowledge, of the shares and convertible securities that each principal shareholder of the corporation held in the corporation on the date of the transaction report or on a date as close thereto as possible, giving details of the name of each principal shareholder, the amount he holds in the shares and each of the convertible securities of the corporation on the said date, and with full dilution, and the nominal value of the shares of the corporation that he has undertaken to buy or that the corporation has undertaken to sell to him; details shall also be given of the holdings of the corporation in his shares and convertible securities;

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2. Details shall be given, to the best of the company's knowledge, of the shares and convertible securities that each shareholder holds in each subsidiary or affiliate of the corporation on the date of the transaction report or on a date as close thereto as possible;
 3. With regard to section 1, a fund manager shall be deemed to hold the issued share capital included in the fund's assets; for the purpose of sections 1 and 2, a subsidiary of the corporation shall be deemed a principal shareholder of the corporation.
- (e) **Issue of securities not for full consideration in cash**
Details shall be given of issues of securities of the corporation, and undertakings to make issues, in the reporting year for consideration which is not fully in cash, stating the consideration that was given or which is to be given and the date thereof; the amounts of the consideration that was given shall be adjusted as of the balance sheet date if given prior to this date, and if given thereafter — in nominal values stating the date on which it was given.
- (f) **Substantial agreements**
1. Mention shall be made of every substantial agreement signed by the corporation during the periods described, except for an agreement in the normal course of the corporation's business;
 2. The names of the parties to each agreement as stated in sub-regulation (a), the date on which it was signed, and a brief description of its contents shall be stated.

Part 2**Explanations of the Annual Financial Statements**

- (a) **Financial position**
Explanations shall be given of the developments that have occurred in the corporation's balance sheet items and in the following matters; there is no need to repeat information set out in the financial statements:
1. Purchase or realization of fixed assets whose effect on the activity of the corporation in the future may be material — details shall be given of the purpose of the purchase or the realization, such as: replacing one production source by another production source in the production process; expanding the existing production capacity or production of a new product; replacing existing fixed assets in order to maintain production capacity; in addition, the sector activity for which the purchase will be used or from which the assets have been reduced and the manner of financing the purchase shall be stated;
 2. The exposure as reflected in the explanation of the linked balance sheet

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included in the financial statements and protective measures taken by the corporation.

(b) **Results of actions**

Explanations shall be given of the developments that occurred in the items of the profit and loss account.

(c) **Liquidity**

Explanations shall be given of the state of liquidity of the corporation and the cash flow from current activity, investment activity and financing activity, and in addition the following matters shall be explained:

1. The factors that created a surplus or a deficit in cash flow that derived from current activity and the use made of the said surplus or the steps taken to reduce the said deficit;
2. The effect of debt payment arrangements that the corporation gave or received on its liquidity state.

(d) **Sources of finance**

Explanations shall be given with regard to the sources of the corporation's capital, the cost thereof and changes that occurred with regard thereto, and reference shall be made; inter alia, to the following:

1. The issue of securities;
2. The exercising of options or conversion of convertible securities into shares;
3. The average extent, during the reporting year, of long-term loans; the calculations may be made on the basis of monthly figures;
4. The average extent of short-term credit; the calculations may be made on the basis of monthly figures;
5. The average extent, during the reporting year, of credit from suppliers, and the average scope, during the reporting year, of credit from customers, or, alternatively, the term of the said credit, all of which if there is a substantial difference between them. The calculations may be made on the basis of monthly figures.

(e) **Additional details**

1. The effect of a joint transaction, an investment in the company or an investment in another corporation, or an increase or reduction in the amount of participation in such a transaction or investment, on the figures of the financial statements, where this effect is very substantial;
2. An explanation with regard to matters pointed out by the corporation's accountant in his opinion of the financial statements;
3. Explanations shall be given with regard to very substantial changes that occurred in the figures of the financial statements, in each of the quarters during the reporting year, and particularly in the fourth quarter;
4. Reference shall be made to events that occurred after the date of the balance sheet and which are mentioned in the financial statements.

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- (f) **Income of subsidiaries and affiliates and income from them**
The profits or losses of each major subsidiary or major affiliate of the corporation, adjusted to the balance sheet date of the corporation, shall be stated, before and after provision for tax, in its last reporting year that ended on or before the balance sheet date of the corporation, and details shall be given with regard to:
1. The dividend and management fee that the corporation received up to the date of the balance sheet from every such company for that reporting year, and also any such payment for a period thereafter, all of which adjusted for the date of the corporation's balance sheet;
 2. The dividend and management fee that the corporation received after its balance sheet date or which it is entitled to receive from every such company for that reporting year, and also any such payment for a period thereafter, all of which in nominal amounts, stating the dates of the payment;
 3. The interest that the corporation received or is entitled to receive from every such company for that reporting year and also for a period thereafter, all of which in nominal amounts, stating the dates of the payment.
- (g) **List of loans**
1. If the giving of loans was one of the main businesses of the corporation, a list of groups of loan balances as of the balance sheet date, classified in appropriate groups according to the amounts of the loan balances, stating the number of borrowers included in each group;
 2. If a borrower received more than one loan — all the loans received shall be deemed for the purpose of this clause as one loan, in an amount equal to the total of the entire said loan balances;
 3. The provision of this section shall not apply to a company or cooperative society that do business by receiving money from a current account in order to make payments with it, on demand, by means of a check.

Part 3
Explanations for the Interim Period

Explanations shall be given for the events and changes that occurred in the state of the corporation's business during the interim period and during the cumulative period from the end of the reporting year until the date of the report whose effect, on the figures of the interim financial statements, is very substantial, as set out below:

1. The extent of the description for the interim period shall be limited, and there is no need to repeat what has already been included in other parts of the report;
2. The explanations shall be set out with comparative figures for the interim periods whose reports were included as comparative figures in the interim financial statements;

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3. Reference shall be made, inter alia, to the following:
 - a. The seasonal effect of the results of the corporation's activities;
 - b. Exceptional or unique events;
 - c. Events that may indicate financial difficulties;
 - d. An explanation with regard to matters pointed out by the corporation's accountant in the letter of review with regard to the interim financial statements.

6 August 2000
(5 Av 5760)

Avraham (Beige) Shohat
Finance Minister