

To: Clients and Friends of the Firm
Date: July 3, 2011
Re: **Update Regarding an Amendment in the Israel Securities Law – Expanding the Exemption for Private Offerings**

MEMORANDUM

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An amendment to the first Addendum of the Israeli Securities Law – 1968 (the "Law", the "Addendum") was published on June 30, 2011. The amendment will enter into force 30 days following the publication, namely on July 31, 2011.

The amendment expands the types of the investors to whom it is permitted to offer securities, without triggering the public offering rules and the Israeli requirement to publish a prospectus.

Section 15 of the Law provides that it is forbidden to offer securities to the public in Israel without first publishing a prospectus approved by the Israeli Securities Authority. This provision applies equally to corporate securities and to units of mutual investment funds, hedge funds, etc.

Section 15 provides that making an offer to:

- (a) 35 persons/entities or less in Israel during any given 12 month period; and/or
- (b) any number of investors of the types listed in the Addendum (referred to as "classified investors");

is not considered a public offering.

Under the recent amendment, the list of investors in the Addendum is substantially expanded as follows:

I. Adding "**sophisticated individuals**". Prior to the amendment, high net worth/sophisticated individuals were not included in the list of classified investors under the Addendum.

A "Sophisticated Individual" is an individual that meets two of the following three criteria:

- (i) holds cash, deposits, financial assets and/or securities worth of more than NIS 12 million;
- (ii) has expertise in the capital market or was employed for at least a year in a professional role that requires such expertise; and/or

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(iii) during the four preceding quarters he/she executed at least 30 transactions on average per quarter (not including transactions performed on his/her account by his/her portfolio manager).

- II. Lowering the threshold for large companies: Under the Addendum, as amended, companies with shareholders equity of NIS 50 million are considered classified investors (compared to the threshold of NIS 250 million prior to the amendment).
- III. A company (or other corporate entity) fully owned by classified investors is also considered a classified investor.

Prior to each purchase of securities, the investors have to confirm in writing their consent to be considered classified investors for the purpose of offering of securities, and to further confirm that they are aware of the legal implications of such status.

Following the amendment, the exemption relating to offering of securities is now in line with the exemption from the licensing requirement as to the provision of advisory and discretionary investment services, as the list of classified investors under the Securities Law becomes substantially similar to the list of "Eligible Investors" under the Investment Consulting, Investment Marketing and Portfolio Management Law - 1995.

Please do not hesitate to contact us if you have any questions regarding the amendment.