

2. Note that although this is not a liquidation procedure, we believe the same set of considerations applies to the current circumstances, and in balancing all considerations we believe the scale tips in favor of **stay of procedures in the motion** in the class action approval motion (the "**Approval Motion**") against the Company as requested by the Officeholder, in light of the public interest in avoiding class actions against an insolvent company in general, and in light of the matter's circumstances in particular:

First, the stay of procedures refers only to the Company and the liquidation account that the Officeholder will manage to formulate. Motion procedures are not stayed regarding all other respondents in the Approval Motion, which also include the controlling shareholder and Company organs, and group members could be repaid by them should their claim be sustained at the end of the day. In fact, the main meaning of including the Company in the Approval Motion is attaching the liquidation account the rest of repayment sources in the claim. The Company is anyway, an artificial entity acting through its organs, which as mentioned – are also respondents in the motion and the procedures against them are not stayed; in any manner, the group members could not be repaid beyond their complete damages as proven, by all respondents in the Approval Motion.

3. **However, without derogating from the above and alongside the stay of Approval Motion procedures against the Company, the Official Receiver will propose the deliberation, under these extraordinary, special circumstances as detailed hereunder, of leaving group members in whose name the Approval Motion is requested with the option to file through their current representatives a joint debt claim under these insolvency procedures, based on a forfeited decision by the court debating the Approval Motion, according to the ruling given regarding respondent 2 in the Approval Motion – Company controlling shareholder; and subject to the conditions proposed hereunder.**

4. The main consideration that we believe justifies the determination of said special, extraordinary litigation layout is the fact that the damages claimed in the Approval Motion greatly correlate the main, decisive crediting at the heart of this insolvency procedure: the crediting by debenture holders.

5. Allegedly, the significant correlation between the holders' obligatory right vis-à-vis the Company by virtue of their holdings, and the damages claimed in the Approval Motion, could form a consideration for the deletion of Approval Motion procedures with no possibility of a joint debt claim based on it following its ruling, since that crediting will be included in the insolvency procedure anyway – even without the filing of such debt claim.

6. However, the damages claimed in the Approval Motion include two more layers referring to that "main, decisive crediting" by the debenture holders, yet are not "automatically" embodied in the current debenture holdings:

A. "Past bonf holders" damages: bond holders who sold their holdings and are no longer included in the liquidation account in the Company by virtue of mere bond holding.

B. The damages claimed due to a misleading reporting detail by virtue of the Securities Law of 5728-1968, referring to a loss caused to the bond holders due to the *misprice*" they paid for the bonds, beyond the consideration determined in the bond issuance by itself.

7. As mentioned, the Official Receiver believes that these two "damage layers" are close to and correlate with main crediting of this insolvency procedure; thus, it is proposed to weigh the option of including them in the liquidation account, should they be ruled in a forfeited decision, subject to the conditions detailed hereunder.

8. The Official Receiver also believes that since those are many, "dispersed" bond holders, there is basis to the argument that debating their matter under a class action (should it be determined that the Approval Motion is to be sustained) will indeed be the "efficient, fair manner to rule" under the circumstances.

9. As mentioned, the Official Receiver wishes to propose **several conditions for the performance of the above proposed litigation layout**, which are appropriate in the circumstances of this case:

A. First, there is a possibility that Approval Motion procedures will be held over a long period, and pending the receipt of a forfeited ruling it will be impossible to determine the relative share of damages that should be assigned to both "damage layers" above, out of the liquidation account. In that context, note that there is indeed an estimate by Prof. Barnea that was attached to the Approval Motion as to the "damage stemming from the breach of prospectus liability" in the sum of 42.2 million NIS, yet we have no data of the scope of past holders and their alleged damages.

It is proposed to determine that should at the discretion of the honorable court the filing of the debt claim be approved for a later date following the forfeited ruling to be received in the class action, then that debt claim will not participate in the dividends distributed prior to its filing, according to the power of the honorable court by virtue of section 283 of the Companies Order [New Version] of 5743-1983, which determines that: "the court is authorized to determine times in which the creditors will claim their debts or be excluded from any benefit of any monetary distribution prior to their claim".

B. Second, it is proposed to determine that should at the end of the day compensation will indeed be ruled against the controlling shareholder under the class action, then the costs entailed in locating those damaged and entitled to that compensation through the stock exchange registrations company, and the costs of determining the individual compensation scope of each damaged party (and any additional cost beyond the compensation itself), will apply to the creditors themselves and not be added to the amounts claimed in the debt claim, as instructed by Ordinance 78 of the Bankruptcy Ordinances of 5745-1985.

In that context, the Official Receiver believes that although it is proposed to allow the filing of a joint debt claim, yet there is room to instruct the detailing of holders and their individual damages under the debt claim.

C. It is also proposed to determine that debt claim will not include additional amounts should those be ruled, which do not form a direct compensation for the bond purchasers – including fees, representing claimant remuneration, as well as additional amounts should those be ruled by virtue of section 20(C) of the Class Actions Law of 5766-2006 ("Remedy in Favor of the Group or the Public").

10. As for the argument by the Applicant of the litigious harm he will suffer in debating the Approval Motion due to its stay of procedures against the Company, we believe the Applicant could request Officer assistance and collaboration in anything concerning the servicing of the documents necessary to debate the Approval Motion (should the Officer possess and hold them), and that could be debated if necessary under a motion for instructions; when balancing could be performed between documents necessity for Approval Motion procedures, and the efforts and encumbrance entailed in discoveries.

In summary, we believe the rationales at the base of the decision by this honorable court in the Habas Case, is also appropriate to the current circumstances, and that Approval Motion procedures against the Company should be stayed;

However, we propose considering to preserve the option of filing a joint debt claim based on liability – as may be imposed on the controlling shareholder of the Company – under a forfeited decision by the court debating the Approval Motion; in light of the uniqueness of the causes and damages argued in the Approval Motion which greatly correlate with the decisive crediting forming the very heart of this procedure.

Gali Atron, Adv.

The Official Receiver