

COMPANY FORMATION MEMORANDUM

Following is summary of information regarding the formation of an Israeli company, limited by shares, which is the most commonly used business company in Israel:

1. Name

There are no limitations save that word “limited” or an abbreviation thereof must be included, and the name cannot be misleading or similar to an existing name.

2. Capitalization

No minimum required.

3. Shareholders

Minimum one shareholder in a private and a public company. Shareholders may be corporate or individual. Shares can be either registered or issued to bearer. All of the shareholders of a company may be foreign residents.

4. Directors

Minimum one director in a private company. Directors may be corporate or individuals and all directors may be non resident. Director(s) must file a declaration upon incorporation (see below).

5. Registered Office

Company must have registered office in Israel, notification of which must be filed along with the request for registration. If all shareholders/directors are non residents, company must have agent in Israel.

6. Formation

By-laws, signed by the subscriber(s) (incorporator(s)), together with a request for registration of a company, directors’ declaration and prescribed fee (currently NIS 2,244) must be filed with Registrar of Companies. After approving the request, Registrar issues Certificate of Registration, upon which Company is deemed in

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existence. By-laws must be filed in Hebrew, and may be filed with an English translation.

In the case of non resident clients the subscribers may be local lawyers (or their trust companies), who transfer their shares to the clients after incorporation.

Normally a company may be formed within 48 business-day hours from filing of documents.

7. Bank Account

Once the company is formed, a bank account may be opened up with any bank in Israel by filing copies of Certificate of Registration and By-laws, and appropriate directors' resolution together with standard documentation required by the bank. Signatories at the bank may be non residents.

In light of the recently enacted anti-laundering legislation, the banks in Israel will be exercising much more caution and due diligence in connection with opening bank accounts for foreigners, than has been the practice in the past.

8. Miscellaneous and Annual requirements

Shareholders must appoint auditor every year. Company must open file with Income tax authorities, and must file annual tax return in addition to filing annual return with Registrar of Companies. Costs for preparing annual tax returns normally range between US\$3,000 - US\$5,000, and vary in accordance with the volume of the company's activity.

Annual fee payable to registrar is currently NIS 1,277 (NIS 977 if paid before February 2008).

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