

Notice regarding a Decision to Approve a Partial Settlement Arrangement

In accordance with the Class Actions Law, 5766- 2006 (hereinafter the "Law")

A notice is hereby given in accordance with section 25 of the Law, that on January 8, 2018 the District Court in Haifa (the Honorable Judge A. Kesari) approved a partial and amended settlement arrangement and rendered it valid as a judgment (hereinafter the "**Settlement Arrangement**", and the "**Judgement**", respectively), which was signed by and between some of the parties to the class action in Class Action 1318/99 (hereinafter the "**Lawsuit**") as set forth hereafter.

General

1. The representing Plaintiffs - Psagot Provident Funds and Pensions Ltd.; Meitav Dash Provident and Pension Ltd.; Clal Pension and Provident Funds Ltd.; IBI Mutual Funds Management Ltd., and Meitav Dash Mutual Funds Ltd. (hereinafter - the "**Plaintiffs**") are directors of mutual funds and provident funds that held shares in Elscint Ltd. (hereinafter - "**Elscint**") prior to February 25, 1999 and/or September 9, 1999 , and they filed to Court a motion to certify a class action against the Compromising Defendants (as defined below) and against other Defendants, within the framework of the Class Action (District Court of Haifa) 1318/99.
2. In a judgment of May 28, 2012, handed down in CA 2718/09, the Supreme Court certified the claim as a class action with changes, under certain causes of action as set forth in the judgment (hereafter -the **Supreme Court Ruling**). On March 17, 2013, an amended statement of claim was filed, setting forth the claims of the Plaintiffs, inter alia, with respect to the sabotaging sale of Elscint Ltd. (hereinafter - "**Elscint**") to Europe Israel (M.M.S) Ltd. (hereinafter "**Europe Israel**") and Elscint's transactions with the controlling shareholders in the company for the purchase of properties, whereby Elscint acquired from a wholly-owned subsidiary of Europe Israel its holdings in a subsidiary that it (indirectly) held in hotel operations in Europe and from a subsidiary of Control Centers Ltd. (hereinafter - "**Control Centers**") it purchased its rights in the Herzliya Marina project (hereinafter - the "**Hotel and Marina Deal**"). This was all, according to the Plaintiffs' claim, while avoiding the distribution of dividends to the Elscint shareholders and assigning the profits only to the controlling shareholders while oppressing the minority shareholders in Elscint and breaching fiduciary duties and duties of care by the officers that served in Elscint.
3. The definition of the groups in the claim in accordance with the Supreme Court ruling which is the following: "Those who held Elscint shares prior to February 25, 1999 (hereinafter the "**First Sub-Group**") and those who held the shares of Elscint prior to September 9, 1999 excluding the Defendants (hereinafter - the "**Second Sub- Group**") (hereinafter - the "**Represented Groups**").
4. The remedies sued in the lawsuit are: (a) monetary compensation for alleged damage to the value of the of the holdings in Elscint of the Plaintiffs belonging to the represented groups due to alleged

actions of the Defendants for the amount by which the value of their holdings decreased as a result of such alleged actions; and (b) total monetary compensation for members of groups that will not be identified or who will not prove their entitlement.

5. The Defendants denied and rejected the Plaintiffs' claims altogether. Without any of the parties to the claim admitting to any of the claims made by the other party, the Plaintiffs and the Compromising Defendants agreed to the settlement arrangement, the main parts of which are set forth hereafter. The settlement arrangement was approved during the testimony stage in the proceeding, before the evidence of the Defendants was heard.

The Definition of the Group

6. The Compromising Plaintiffs are all the Plaintiffs. The group to which the proposed arrangement applies is composed of any member of any of the represented groups, and the Compensation Sum will be divided between the eligible members of the group which are the members of the second subgroup (hereinafter: the "**Eligible Group Members**").
7. The Compromising Defendants are Elscint (dissolved); Elbit Imaging Ltd. (hereinafter - "**Elbit**"), as well as any corporation in which shares or participation units in it, directly or indirectly, constitute or constituted a material holding for Elscint and/or Elbit and all officers and/or employees of them, in the past and in the present, in this capacity only (hereinafter – the "**Elbit Group**"); Europe Israel (currently in liquidation); Control Centers (currently in liquidation); the late Mordechai Kalman Zisser; Rachel Levin; Amos Pikel; Ephraim Brand; Shimon Yitzhaki; Gideon Bar- On; Avraham (Rami) Goren; Shlomo Zinger; Yehoshua Forer; Meir Kaiserman; Elimelech Firer; Bracha Zisser; the estate of the late Prof. Moshe Manny; and Herzliya Marina Limited Partnership.

The Causes of Action

8. The causes of action in respect of which the settlement arrangement constitutes res judicata, which bars any claim against the Compromising Defendants, are all causes of action as approved by the Supreme Court in the Supreme Court ruling (hereinafter: the "**Causes of Action of the Lawsuit**"), including:
 - 8.1. The oppression of the minority shareholders in Elscint by entering into transactions that are tainted by the personal interest of the controlling shareholder, while avoiding the distribution of a dividend, including the transfer of control of Elscint and the Hotels and Marina Deal;
 - 8.2. A breach of the fiduciary duty and the duty of care applicable to the officers of Elscint in connection with the acts stated in sub-section 8.1.
9. All the questions of fact and law involved in the causes of action are shared by the members of the group.

Settlement Arrangement and its Approval

10. In accordance with the settlement arrangement, the Defendants' insurer, which is a party to the settlement arrangement, will pay a total sum of NIS 50 million (it should be noted that the Compromising Defendants are participating in this payment in the amount of NIS 5 million, which will be transferred on their behalf to the Insurer). Against this payment (which shall be made in the manner that will be described hereafter) the causes of action pertaining to the proceedings, of every type and kind against the Compromising Defendants, will end in an absolute and final manner, and in particular (but not only) the cause of action concerning the sale of the Hotels and Marina business in Herzliya.
11. The amount of the damage to the eligible group members was estimated by an expert who examined the reasonableness of the Settlement Agreement, at such time, to be between NIS 49 million and NIS 60 million, and therefore, according to the judgment, the settlement amount is within the range of the estimate.
12. Four objections or reservations were submitted to the settlement arrangement approval: First, on May 4, 2016 a motion to reject the provisions of the proposed settlement arrangement concerning the distribution of fees between the attorneys in the file was filed on behalf of Adv. Lahav and Adv. Dotan who were part of the attorneys of the represented groups, and during the hearing claims were even raised by them against the settlement sum. The claims against the settlement sum were dismissed by the court in its decision of September 27, 2017. Second, on June 30, 2016 a partial objection was filed on behalf of Elron. Elron retracted this objection; Third, on July 14, 2016 an objection was filed on behalf Mr. D. Weiss regarding the amount of the compensation sum and the amount of the remuneration sum to the Plaintiffs and the legal fees for their attorneys. The objection was dismissed by the Court in its decision of September 27, 2017; and Fourth, on July 14, 2016 an objection was filed on behalf of Mr. M. Beeri. The objection was dismissed by the Court in its decision of September 27, 2017.
13. Prof. S. Hannes was appointed as an examiner by the court in its decision of May 26, 2016. At the center of the opinion - is a description and calculation of the damage assessment for the members of the group as a result of the Hotels and Marina Deal. His conclusion was that after a revaluation, the damage was estimated to be approx. NIS 60 million.
14. The Honorable Court approved the settlement arrangement in its decision of September 27, 2017, subject to several changes in its wording, and after the amended version of the settlement arrangement was submitted, a partial ruling was handed down on 8 January 2018, which validated the settlement arrangement as a judgment. The Honorable Court held that in view of the risks and prospects of continuing to conduct the class action as opposed to the advantages and disadvantages of the settlement arrangement, the approval of the settlement arrangement should be preferred over its rejection. This was, among other things, given the settlement amount, which according to the court constitutes approximately 80% of the top level of the damage estimate; taking into account that according to the court the way which the Plaintiffs chose to present their evidence involves a certain risk that they will not be able to support their arguments if required; and taking into account the long

years of litigation, which, according to the Court, must be given more consideration than the consideration given to the importance of completing the proceeding.

15. According to the decision of the Honorable Court, the attorneys of the represented groups, Adv. Orly Guy and Nira Lahav, will be appointed as supervisors in charge of locating eligible member of the group, inter alia through various publications in the press and on the internet. After the eligible members of the group have been identified and their holdings in Elscint have been proven, and after deducting from the total the compensation sum all the remuneration payments, reserve funds, legal fees and expenses involved in carrying out the arrangement, the remainder – which was called in the arrangement the “Net Compensation Sum” – will be divided between those eligible pro rata based on the percentage of their holdings in the Elscint shares on September 9, 1999.
16. It was further determined that the compensation to the Plaintiffs would be set at NIS 1 million, which would be divided between them according to the percentage of their holdings in Elscint shares as aforesaid, and it would be paid to the supervisors as part of the payment of the compensation sum. The fees of the Plaintiffs' attorneys will be calculated as follows: (a) 25% of the first NIS 5,000,000 of the net compensation sum; (b) 20% of the next NIS 5,000,000! (c) 15% of the balance of the net compensation sum. VAT will be added to these amounts. Half of the sum will be paid shortly after the Defendants have transferred the compensation sum to the supervisors, and half of it right after the court's decision which will approve the report of the supervisors regarding the completion of the performance of the settlement arrangement. The fees of the supervisors shall be calculated in accordance with the mechanism prescribed in regulation 8A (a) of the Companies Regulations (Rules for the Appointment of Receivers and Liquidators and their Salary) 5741-1981, mutatis mutandis, as set forth in section 53 of the decision of September 27, 2017.
17. The aforesaid only constitutes a summary of the judgment and of the settlement arrangement. The full wording of the judgment and of the settlement arrangement, and the definitions that appear in the settlement arrangement - are binding. In any case of contradiction between the provisions of the arrangement or the decisions of the court and the statements in this notice, the first shall prevail.
18. The judgment and the settlement arrangement, in their full form, are available for review at the office of attorneys Orly Guy and/or Moshe Bachar, 4 Ariel Sharon St. Givatayim (HaShar Tower, 34th floor), subject to arranging this in advance by phone.
19. The content of this notice has been approved by the court and is published in accordance with its decision.