

## **Notice of Approval of a Settlement Arrangement**

**(C.C. 1318/99 Psagot and others v. Elscint and others)**

According to section 25 of the Class Actions Law, 5766- 2006 (the "**Law**") a notice is hereby given that the District Court in Haifa (the Hon. Judge A. Kesari) approved a Supplementary Settlement Arrangement ("**Supplementary Settlement Arrangement**") that was reached by some of the parties to the Class Action in Class Action 1318/99 (the "**Lawsuit**") all as set forth hereafter.

1. **General Background** - The lawsuit which is the subject of the Supplementary Settlement Arrangement was filed by Psagot Provident and Pension Funds Ltd., Meitav Dash Provident and Pension Ltd., Clal Pension and Provident Ltd., IBI Mutual Fund Management Ltd. and Meitav Dash Mutual Funds Ltd.- the managing companies of mutual funds and provident funds. The defendants in the lawsuit (31 in number) are the companies Elscint Ltd. (which was merged into Elbit Imaging Ltd. ("**Escint**"), Elbit Imaging ("**Elbit Imaging**"), Europe Israel (M.M.S.) Ltd. (in liquidation) ("**Europe Israel**"), Elron Electronic Industries Ltd. ("**Elron**") and officers in these companies.
2. In the judgment of May 28, 2012 that was handed down in C.A. 2718/09 the Supreme Court certified the lawsuit as a class action with changes, under certain causes of action as set forth in the judgment. The Supreme Court certified the lawsuit as a class action on grounds of oppression of the minority shareholders, with respect to the plaintiffs' claim according to which Elscint purchased assets from subsidiaries of Europe Israel in the framework of transactions that were called the "Hotels and Marina Deals" (the "**Hotels and Marina Cause of Action**"). In addition, the Supreme Court certified a class action on grounds of oppression of the minority, in relation to the plaintiffs' claim that the control of Elbit Imaging was sold from Elron to Europe Israel in exchange for an exceptional control premium (the "**Sale of Control Cause of Action**").  
In accordance with the judgment that certified the class action, those who held Elscint shares prior to February 25, 1999 (the date of the sale of control), excluding the defendants, would be classified as the "**first sub-group**"; and those who held Elscint shares prior to September 9, 1999 (the date of reporting on the Hotel and Marina Deals), excluding the defendants, would be classified as the "**second sub-group**".
3. It should be noted that with respect to the Hotels and Marina Cause of Action and the second sub- group, a partial settlement arrangement was reached ("**Partial Settlement Arrangement**") between the plaintiffs and the "compromising defendants" as defined in the Partial Arrangement (Elscint, Elbit Imaging, Europe Israel and officers in these companies). The Partial Settlement Arrangement was approved in the court's decision of January 8, 2018.
4. **The main points of the Supplementary Settlement Arrangement** - Without any of the parties to the lawsuit admitting to the claims of the other party, a Supplementary Settlement Arrangement was reached between the plaintiffs and the other defendants in the lawsuit - Elron and the officers in Elron (and in the subsidiaries) (the "**Elron Group**"). The members of the group are whoever belongs to the first sub -group.

In accordance with the Supplementary Settlement Arrangement: (a) a total and final sum of 5,300,000 (five million and three hundred thousand) NIS (the "**Compensation Sum**") will be paid to the members of the group, according to the following distribution - 3,200,000 (three million and two hundred thousand) NIS will be paid by Elron and the sum of 2,100,000 (two million and one hundred thousand) NIS will be paid by the insurance company of the directors (as these terms are defined in the Settlement Arrangement); (b) The remuneration that will be paid to the plaintiffs (out of the Compensation Sum) is NIS 250,000 and it will be paid to them in accordance with the ratio of their holdings in Elscint shares on February 24, 1999; (c) The remuneration to be paid to the supervisor (as defined below) (which shall also be paid out of the Compensation Sum) shall be calculated in accordance with the format set forth in Regulation 8A (a) of the Companies Regulations (Rules Regarding the Appointment of Receivers and Liquidators and their Salary), 5741- 1981, mutatis mutandis, as determined in section 30 of the court's decision of November 2, 2017; (d) In addition to the Compensation Sum, the plaintiffs' attorneys' fees will be paid in the amount of 1,250,000 (one million two hundred and fifty thousand) NIS.

5. It is noted that the motion to approve the Supplementary Settlement Arrangement was submitted on January 11, 2017. Further to the court's comments, a notice was submitted on behalf of the Elron Group, according to which the Compensation Sum was increased, from NIS 5 million to NIS 5.3 million, as stated. On November 2, 2017, a decision was granted approving the Supplementary Settlement Arrangement (a typographical error was amended in the decision of November 26, 2017), subject to the changes and instructions specified in the decision. On January 12, 2008, an amended Supplementary Settlement Arrangement was submitted, and on March 15, 2018, the judgment was granted approving it (hereinabove and hereinafter, the decision of November 2, 2017 and the judgment of March 15, 2018 - the "Judgment"). On August 13, 2018, the Supreme Court ruled that an appeal filed with respect to the decision to approve the partial settlement was registered for dismissal.
6. **The main points of the judgment** - In the judgment, the court ruled that after considering the arguments of the parties, both verbally and in the pleadings, as well as the position of the attorney general (who expressed his support in principle of the supplementary arrangement, subject to certain reservations) and the Securities Authority, it approved the Supplementary Settlement Arrangement. The court noted, inter alia, that unlike in the case of the partial settlement arrangement, the matter here revolved around the transaction for the sale of control, and in this matter the plaintiffs faced difficulties that do not allow determining that their chances of success are good enough to justify the dismissal of the motion; That the claims of the Elron Group that a Class Action had not been approved against officers of Elron, and that the lawsuit against them lacks in any event of a cause of action, are not completely baseless; That the evidence does not sufficiently support a conclusion regarding the fulfillment of the three conditions for the existence of a "sabotaging sale"; That in terms of quantity as well, the Plaintiffs face difficulties with regard to the cause of action of the sabotaging sale; that there is also good reason for the plaintiffs' claim regarding the time dimension that has elapsed since the commencement of the proceeding and its significance in terms of the evidentiary difficulties that are expected thereafter during the proceeding, the costs involved in conducting it and difficulties in locating the members of the group.

7. **Locating the members of the group** – The attorneys of the represented groups, Adv. Orly Guy and Nira Lahav, will be appointed as the supervisors in charge of locating the eligible members of the group, including through various publications in the press and on the internet. After the eligible members of the group shall be identified, both in Israel and in the USA, and the scope of their holdings in the Elscint shares will be proven, and after deducting from the total Compensation Sum all the remuneration payments, reserve monies, fees and expenses involved in implementing the arrangement, the balance will be distributed pro rata to their holdings in the Elscint shares by all the members of the group (including the plaintiffs) on February 24, 1999.
8. **Res Judicata** - The causes of action in respect to which Supplementary Settlement Arrangement constitutes res judicata, are all the causes of action certified by the Supreme Court in the judgment of May 28, 2012. It was stated in this ruling in this context that the cause of action is (mutatis mutandis) the oppression of the minority shareholders of Elscint in the following manner: entering into a transaction to transfer control of Elscint which is tainted by the personal interests of the controlling shareholder (in Elscint) (while avoiding the distribution of a dividend).
9. **Miscellaneous** - The above constitutes only a summary of the judgment and of the Supplementary Settlement Arrangement. The full wording of the judgment and of the settlement arrangement, and the definitions appearing in the settlement, 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.
10. The judgment and the settlement arrangement are available for review by the group of plaintiffs at the attorneys of the representing plaintiffs at 4 Ariel Sharon St. Givatayim (HaShar Tower, 34th floor) Tel: 03-6240240 (by prior arrangement) and at the secretariat of the Haifa District Court.
11. The content of this notice has been approved by the Court and is published in accordance with its decisions.