

# Israel

## Chamber of commerce:

Federation of Israeli Chambers of Commerce  
84 Ha'hashmonaim Street  
PO Box 20027  
61200 Tel Aviv  
Israel  
**Tel:** + 972 3 563 1020/1  
**Fax:** +972 3 561 9027  
**Email:** chamber@chamber.org.il  
**Website:** www.chamber.org.il

## Professional body:

Israel Bar Association  
1 Chopin Street  
Jerusalem 92190  
Israel  
**Tel:** +972 2 660 271

### Clifford Davis and Keith Shaw S Horowitz & Co Tel Aviv

The main laws regulating securities in Israel are the Securities Law 1968, which regulates the offer of securities to the public in Israel, and the Investment Counselling and Portfolio Management Law 1995, which regulates the provision of investment counselling and investment portfolio management services. A third law – the Joint Investment Trust Law 1994 – deals with the offer of units or shares in a fund to the public in Israel. These laws are administered by the Israel Securities Authority (the ISA). There is no specific legislation governing the activities of trading, dealing or brokerage in securities *per se*, other than the Rules of the Tel-Aviv Stock Exchange, which regulate trading on that stock exchange and the activities of the members of that exchange.

### Territoriality

Though Israeli laws are of territorial application, unless otherwise provided, and the above laws do not contain provisions extending their application to activities carried out outside Israel or cross-border into Israel, the ISA takes the view that the territorial element is supplied if an offer of securities is made to Israeli residents or investment counselling or portfolio management services are provided to Israeli residents, regardless of the location of the offeror or provider. Having said that, it is also clear that, if the offeror or provider has no presence in Israel, enforcing these laws against them is problematic, to say the least.

### Is a prospectus required for the offer of securities?

The Securities Law provides that "A person shall not offer securities to the public other than under a prospectus, the publication of which has been permitted by the [Securities] Authority." While the law does not specifically define a public offering, it does provide guidance as to what does not constitute a public offering, from which the necessary deduction can be made.

There are two main principles, both of which relate to categories of offerees. Firstly, an offer that is made to no more than 35 investors will not be classed as a public offering, provided

that the number of investors to whom the offeror sells the offered securities, combined with the number of investors to whom it sold securities during the 12 months preceding the offer, does not exceed 35.

Secondly, the law excludes certain types of companies from the count of the 35 investors, including foreign companies that, in the opinion of the ISA, are capable of obtaining the information required to make a decision to invest in the securities, and companies listed in the relevant appendix to the Securities Law (sophisticated investors). The appendix lists, among other things, such entities as banks, insurance companies, provident and mutual funds, venture capital funds, and investment advisors and underwriters investing for their own account.

A recent addition to the list is a corporate entity (other than one formed for the purpose of purchasing a particular security) the value of whose equity capital exceeds NIS250 million (\$55 million). This represents a departure from the previous approach, which focussed on investment expertise rather than net worth. High-net-worth individuals (as opposed to corporate entities) still do not appear on the list.

The practical effect of the distinction between public and private offerings is that a private offeror is exempt from the requirement to offer securities only by way of a prospectus.

### Marketing

There are two issues connected with marketing by way of methods such as road shows or seminars to potential investors. The first is that, because the language of the Securities Law is couched not in terms of sales, but of offers, any such seminar, to avoid constituting an offer to the public, would need to be directed to no more than 35 individuals, plus any number of the types of sophisticated investors referred to above.

The second is that the Investment Counselling Law provides that no person can engage in giving investment advice (though there is an exception for advice given to less than five individuals) unless they hold an investment adviser licence, or a portfolio manager licence granted under that law. Investment advice includes "giving advice to others regarding the advisability of an investment, holding, purchase or sale of securities and financial assets."

The Investment Counselling Law excludes from its definition of securities, "securities that are not listed for trading on a stock exchange". Consequently, to the extent that any marketing or seminars only related to such instruments, they would not be covered by the Investment Counselling Law, and would not therefore fall foul of its restrictions.

### Prospectus requirements

A prospectus must contain every detail relevant to a reasonable investor considering the acquisition of securities offered therein, and must not contain any misleading piece of information. The regulations can also require the inclusion of such matters as a notice that all necessary approvals and licences for the offering of the securities has been obtained, a notice that a stock exchange has agreed to register the offered securities for trading, details regarding the offer including number and class of shares and rights attached thereto, details regarding the issuer and any subsidiaries and associated companies and financial reports.

The ISA can exempt the offeror from disclosing any item in the prospectus on such grounds as protection of a trade secret or national security.

### Sanctions

A person who offers or sells securities to the public other than by an approved prospectus is liable to imprisonment for a term of three years, or to a fine.

A person who induces or attempts to induce a person to acquire or sell securities by way of a statement, promise or forecast that they know or ought to have known to be false or misleading, or by concealing material facts, is liable to imprisonment for five years, or to a fine.

Where any such offence specified is committed by a corporation, the directors and the general manager of the corporation will likewise be criminally liable, unless they can prove one of the following: (i) that they did not know, nor were they under any obligation to know, of the offence, or that they had no way of knowing of the same; or (ii) that they took all reasonable measures to prevent the offence.

## Banking

### Recommended firms

Tier 1

**Herzog Fox & Neeman**

**S Horowitz & Co**

**Kantor Elhanani Tal & Co**

Tier 2

**Caspi & Co**

**Gornitsky & Co**

**Gross Kleinhendler Hodak Halevy Greenberg & Co**

**Yigal Arnon & Co**

Tier 3

**Goldfarb Levy Eran & Co**

**Naschitz Brandes & Co**

**Shibolet Yisraeli Roberts Zisman & Co**

**Weksler Bregman & Co**

**Yaacov Salomon Lipschutz & Co**

**Yehuda Raveh & Co**

**Zellermayer Pelosof & Co**

## Capital markets

### Recommended firms

Tier 1

**Goldfarb Levy Eran & Co**

**Gross Kleinhendler Hodak Halevy Greenberg & Co**

**Herzog Fox & Neeman**

**Yigal Arnon & Co**

Tier 2

**Caspi & Co**

**Gornitsky & Co**

**S Horowitz & Co**

**Meitar Liguornik Geva & Leshem Brandwein**

**Naschitz Brandes & Co**

Tier 3

**Danziger Klagsbald Rosen & Co**

**Efrati Galili & Co**

**Fisher Behar Chen & Co**

**Sharir Shiv Friedman & Co**

**Weksler Bregman & Co**

**Yaacov Salomon Lipschutz & Co**

**Yehuda Raveh & Co**

**Zellermayer Pelosof & Co**

## Mergers and acquisitions

### Recommended firms

Tier 1

**Goldfarb Levy Eran & Co**

**Herzog Fox & Neeman**

**S Horowitz & Co**

**Yigal Arnon & Co**

Tier 2

**Caspi & Co**

**Fisher Behar Chen & Co**

**Gornitsky & Co**

**Gross Kleinhendler Hodak Halevy Greenberg & Co**

**Meitar Liquornik Geva & Leshem Brandwein**

**Naschitz Brandes & Co**

**Zellermayer Pelossof & Co**

Tier 3

**Danziger Klagsbald Rosen & Co**

**Shiboleth Yisraeli Roberts Zisman & Co**

**Weksler Bregman & Co**

**Yehuda Raveh & Co**

## Project finance

### Recommended firms

Tier 1

**Herzog Fox & Neeman**

**Yehuda Raveh & Co**

**Yigal Arnon & Co**

Tier 2

**Gornitsky & Co**

**S Horowitz & Co**

Tier 3

**Caspi & Co**

**M Firon & Co Advocates and Notaries**

**Goldfarb Levy Eran & Co**

**Shiboleth Yisraeli Roberts Zisman & Co**

**Weksler Bregman & Co**

**Zellermayer Pelossof & Co**

Tier 4

**Gilead Sher & Co**

**Yaacov Salomon Lipschutz & Co**

### Caspi & Co

Caspi & Co is an excellent firm that provides a strong all-round service to clients. As a result, the firm is well-ranked for all practice areas. Historically, Caspi & Co was a family firm, but underwent a conversion process to re-emerge as a full-service professional partnership, led by name partner Ram Caspi. Caspi himself is highly respected, as is Norman Menachem Feder, the head of the firm's capital markets practice.

The firm represents a great many multinational corporations and international banks, and recently expanded into advising on communications matters following the hire of communications specialist Yossi Abadi. Abadi is the former director of the

Regulatory Broadcasting Administration, and a former general counsel of the Government Companies Authority. David Tadmor's experience also adds weight to the firm's competition practice; Tadmor was formerly the Israeli Antitrust Commissioner.

Clients of the firm include IDB Holdings and the Israeli Corporation, both of which came to the firm in connection with mergers and acquisitions work. The firm also attracts a lot of work from Israel's large banks, not least Bank Leumi and Bank Hapoalim. In finance, Caspi & Co is known as a leading structured finance and derivatives and corporate finance outfit. Clients include international financial institutions, such as Bank of America, Citibank, Euroclear, Goldman Sachs, JP Morgan Chase, KBC, Mizuho, Morgan Stanley, the Royal Bank of Canada and UBS.

### Leading lawyers

Ram Caspi

Norman Menachem Feder

### Key contact partner

Ram Caspi

### Fischer Behar Chen & Co

Fischer Behar Chen & Co gains promotion to the second tier for mergers and acquisitions work this year, after an impressive number of high-profile instructions and recommendations from the market.

The firm was involved in several of the top M&A transactions in Israel in 2004. In what was the largest by value in 2004, the firm acted for Perrigo when it acquired the Agis pharmaceutical company for over \$800 million. Other highlights included representing the state of Israel in relation to the \$300 million privatization of the Israel Discount Bank, and representing Citigroup in connection with the successful public offering of Retalix on Nasdaq, raising close to \$60 million.

Among the year's other work, the firm represented the state of Israel in the \$5 billion transfer of Israeli rail operations from the Israel Ports Authority to a government-owned company, acted on Vyyo's acquisition of Xtend, and acted for Israel Ten, the country's second-largest commercial television station, in relation to its capital raising and restructuring.

### Key contact partners

Ron Lehmann

Avraham Well

Eran Yaniv

### Goldfarb Levy Eran & Co

There are three co-heads of Goldfarb Levy Eran & Co's corporate practice: Yudi Levy, Oded Eran and Ashok Chandrasekhar. They oversee a corporate team that consists of 13 partners and 15 associates, of which 12 are US-qualified. The firm offers the full gamut of corporate law services, and benefits from a strong series of relationships with US and European underwriters and

investment banks. The firm also advises on issues on the New York Stock Exchange and Nasdaq.

Recent clients of the firm include Intel, which the firm advised in relation to its acquisitions of Envara and Oplus. Both of these deals were overseen by Ashok Chandrasekhar, who received assistance on the Oplus deal from Ido Zemach.

#### **Key contact partners**

Ashok Chandrasekhar  
Oded Eran  
Yehuda M Levy

#### **Gornitsky & Co**

Gornitsky & Co specializes in providing advice to domestic and international firms on a broad range of subject-matter, including infrastructure projects, M&A, and equity offerings. The firm is respected by clients and competitors alike, and retains a broad and strong market presence. The firm itself was founded in 1938, and since that time has expanded through mergers to become one of Israel's top commercial law practices.

From this strong firm, Pinchas Rubin is especially well-regarded, and as company chairman he has led the firm through a strong seam of recent work, including structuring a merger between the country's two largest food manufacturers, advising on various initial public offerings, and playing a key advisory role in the acquisition of a share of Israel's largest bank.

#### **Leading lawyer**

Pinchas Rubin

#### **Gross Kleinhendler Hodak Halevy Greenberg & Co**

Gross Kleinhendler Hodak Halevy Greenberg & Co retains a strong reputation for its corporate work, and the firm features prominently in almost all this year's rankings. The firm has of late been especially active in initial public offerings (IPOs), and advised on two such deals in the course of 2004. The first was Syneron's IPO, handled by name partner Gene Kleinhendler, and the second was the \$54 million IPO of Power Dsine, a deal that was tackled by Gross Kleinhendler lawyer Amir Halevy. As well as advising it on IPO matters, the firm also advised Power Dsine when it sold its stake in General Atlantic.

The firm is credited for advising both domestic and international underwriters, for example Merrill Lynch, which Gross Kleinhendler advised in relation to the follow-on offering of Given Imaging (which raised \$44 million), and in connection with the \$145 million institutional debt offering in the UK of Makhteshim Agan.

The firm is also a specialist structured finance adviser, and advised the Ampa Group on a deal in which Ampa raised (and continues to raise) monthly capital from institutional investors in the amount of around ILS30 million (\$66.23 million) using a specially created modular debenture securitization mechanism. The special purpose company set up for this tricky securitization attained triple-A rating from the Israel rating company Maalot, an affiliation of Standard & Poor's.

The firm's other clients include Israel Chemicals, Zim Shipping Lines and Pelephone.

#### **Key contact partners**

Amir Halevy  
David Hodak  
Gene Kleinhendler

#### **Herzog Fox & Neeman**

Herzog Fox has 28 partners and 68 associates, and is undoubtedly one of the leaders of the Israeli corporate law market. With practitioners qualified to advise on US, UK and Australian law, the firm is also a member of the International Bar Association and the World Law Group.

The firm retains a wide-ranging and impressive list of clients. These include Bank Hapoalim, which Herzog Fox has advised on a number of finance matters, including a \$140 million loan facility granted to Elbit Medical Imaging and a \$100 million loan facility provided to Elscint. Other banking clients have included ECI Telecom, which the firm advised on the restructuring of a \$300 million loan facility, and the Royal Bank of Scotland, which turned to the firm for advice in relation to its \$37 million financing of the Paradigm Group.

Herzog also retains a strong presence in the corporate and M&A markets, and recently acted for the Safra Group when it sold a controlling interest in the First International Bank of Israel for \$90 million. Herzog also acted for Markstone Capital Partners Fund on its acquisition of a 40% stake in PRS for ILS40 million (\$8.82 million), as well as in relation to its \$500 million acquisition of Golden Pages Publishing from Avrec for £110 million (\$198.8 million).

Herzog Fox boasts a strong project finance team too, which over the past year has advised CityPass, the concessionaire on the project to build the Jerusalem light railway system, and acted for Metro Rail in its capacity as bidder for the Tel Aviv light rail tender. Herzog also advises the government on an ongoing basis in relation to the Work Reform Pilot Scheme, and on the \$1.3 billion financing of the cross-Israel highway.

Meanwhile, capital markets instructions over the past year have included acting for Goldman Sachs as underwriter in relation to Shopping.com's \$90 million initial public offering (IPO) on Nasdaq, and advising Solbar Haztor on two IPOs on the Tel Aviv stock exchange.

#### **Key contact partners**

Mark Philips  
Alan Sacks

#### **Kantor Elhanani Tal & Co**

Though smaller than some of its market companions, Kantor Elhanani Tal & Co enjoys a strong reputation for providing banking advice, as well as for its regulatory expertise and advice to the government on various corporate and commercial law matters.

Name partner Dalia Tal is a well-respected practitioner who has recently been working on the purchase offer of the Maritime Bank of Israel, as well as on the financing package

relating to the acquisition of IDB Holdings. Tal also worked on the financial package set up in relation to Meyer Cars & Trucks' acquisition of a controlling share in the Phoenix Assurance Company for \$315 million. The firm's other clients include Bank Leumi Le-Israel and Bank Pekao.

#### Leading lawyer

Dalia Tal

#### Key contact partner

Dalia Tal

### S Horowitz & Co

S Horowitz & Co is renowned for its general practice, and the scope of deals that it handles. As a result, it has a sound presence in all the tiers for corporate work, due in part to the continued industry of partner Clifford Davis.

Sample deals include the financing of the Jerusalem light railway, which involved negotiating bank financing to the tune of \$450 million. Other banking deals saw the firm act for domestic telecoms company Bezec in relation to its \$500 million tender offer, and then act for the banks in connection with the largest receivership in Israeli history; that of Zeevi Management Holdings, owner of a 20% share in Bezec. The deal was worth around \$700 million. S Horowitz also acted for the banks in relation to the refinancing of ECI Telecom, a deal valued at \$350 million.

The firm is also active in the capital markets sphere, and counts both domestic and international financial institutions among its clients, such as Credit Suisse First Boston and Morgan Stanley. The firm also retains membership of Linklaters' Blue Flag capital markets information service. Recent securitizations advised on by the firm have included the securitization of Tel Aviv car parking receivables.

In mergers and acquisitions, meanwhile, the firm has advised on the sale by Bell South of its 37.5% interest in Cellcom, and also acted for HJ Heinz on four disposals, one of which was of Heinz Remedia, an Israeli company that makes food for infants. There was also work for S Horowitz on a joint venture between EADS and one of Israel's aeronautical companies in a big aeronautic long-term joint venture, and the firm also acted for Hasbro in relation to the disposal of various interests to Herzano, represented Readymix Industries on a buyout from its minority shareholders, and advised Alcatel on the disposal of Tadiran Batteries. And in one unique deal, the firm assisted with setting up a specific venture capital fund to invest in the inventions to come out of Tel Aviv University.

Project finance mandates have included acting for the Israel Electricity Corporation on the building and operation of a power station in Ashkelon, representing the Tel Aviv municipality on a number of build-operate-transfer projects in the infrastructure sector, advising Shafir Engineering in relation to the constructions of the cross-Israel highway, and acting for a consortium of French and domestic firms vying for the concession for the Israeli water supply filtration and treatment project.

#### Leading lawyer

Clifford Davis

#### Key contact partner

Clifford Davis

### Weksler Bregman & Co

Weksler Bregman is particularly noted for the strength of its banking practice, and this year the firm acted on the purchase of the government-owned Discount Bank, the third largest bank in Israel. The deal forms part of the privatization process launched by the government in 2004; the firm represented the purchasing group, led by a leading business family, on the deal. The deal was worth \$1.15 billion, and the purchasing group acquired 26% of stock in the company, with an option to buy an additional 25%. Other clients of the firm include United Bank, Discount Bank, Mercantile Discount Bank, Investec Israel and Bank Igud.

On the insolvency and restructuring side, the firm was placed in charge of the receivership of North America Bank, and a Weksler senior partner also acted as the special administrator of the Trade Bank when it found itself in receivership.

The firm is also prominent in the securitization market, and handled the publishing of the prospectus for the Africa Israel Properties securitization (Africa Israel Properties is a subsidiary of Africa Israel investments, a real estate company). The firm also advises several public companies on structured finance matters, and is legal adviser to the Tel Aviv stock exchange. In M&A, the firm had a strong year, advising on the sale of control in the IDB Group, and on the sale of the entire share capital of the United Mizrahi Bank.

The firm's involvement with the Africa Israel Group has attracted large volumes of project finance business across the African continent. The firm has been active in large real estate transactions and financings on the continent, and also has a practice that extends into Europe and North America.

The firm comprises 10 partners, who oversee a team of 31 lawyers. The main office is in Tel Aviv, with a one-partner, three-associate branch in the offices of the Africa Israel Group.

#### Key contact partner

Dror Toren

### Yaacov Salomon Lipschutz & Co

Moshe Lipschutz is the head of the corporate and commercial practice at Yaacav Salomon Lipschutz & Co, which has a staff of six partners and four associates. One partner is US-qualified.

Although not making it into the top tier in this year's rankings, Yaacov Salomon is much respected for its ability to turn its hand to large deals, a capability that it displayed admirably when it advised the Israel Electric Company on raising \$4 billion over four years in Europe, Asia and the US under a medium-term note programme. Other clients that have turned to Yaacov Salomon for advice include Citibank, Bank Leumi L'Israel, Ariel Consortium and Credit Industriel et Commercial.

**Key contact partners**

David Goldenblatt  
Raanan Rawitz

**Yehuda Raveh & Co**

Yehuda Raveh & Co has played a vital role in several of the country's larger project finance deals, including those involving the construction of schools and the construction of a new jail in Beer-Sheva. As well its expertise on domestic projects, the firm boasts tremendous cross-border experience, having provided advice on financing projects in Slovakia, the Czech Republic, Greece, Poland and Romania.

Other deals have included advising on the high-profile cross-Israel highway, and also on a \$1.5 billion transport system development. Yehuda Raveh also advised on a \$250 million desalination project, a complex matter requiring the firm to negotiate with more than 100 lenders. As well as this, the firm has acted on various power plant developments, and a \$500 million gas pipeline deal.

**Key contact partner**

Yehuda Raveh

**Yigal Arnon & Co**

Yigal Arnon & Co is a top-flight firm with a solid and far-reaching reputation that is reflected in its extensive client base of large domestic and international firms.

Capital markets is an especially strong area for the firm, and it has recently advised Nexus Telocation Systems in relation to the purchase of all activities of Shagrir Towing Services. From Yigal Arnon, Odelia Sidi advised on the deal, which was closed in February 2005 and was worth ILS200 million (\$44.1 million). The firm also advised WorldGroup Holdings on Tase's public offering of debentures, acted for Aeronautics Defence Systems on its private placement and share purchase agreement, and represented Vizrt on its dual listing and offering on the Oslo stock exchange.

The banking practice is also strong, and over the past year the firm has advised the UGS Corporation, a large privately held US software company, when it acquired all of the shares of Tecnomatix, an Israeli company whose shares are traded on Nasdaq, through a \$230 million reverse triangular merger. Yigal Arnon also acted for the Israel Discount Bank in relation to the acquisition of the controlling shares (26%) in the bank, as well as on the option to purchase another 25% of the shares. This \$600 million deal was concluded in February 2005, and involved Yigal lawyers Amnon Lorch, Yoav Caspi, Yuval Shalhevet and Harry Kirsh.

Project finance clients include Bank Hapoalim, the municipality of Jerusalem, National Gas and Shapir. Among the year's highlights, a team comprising Doron Tamir, Andy German and Yuval Bargil advised the municipality of Jerusalem in relation to the \$500 million construction of the Jerusalem light rail mass transit system. The firm also acted for the state-owned Israel Natural Gas Lines Company in relation to the construction of an natural gas transmission system in Israel.

From the team, partner Orly Tsioni is recommended, described by one client as being "very efficient, greatly experienced, very much involved in everything that gets done quickly ... he makes life easy for us."

**Leading lawyers**

Yigal Arnon  
Orly Tsioni

**Key contact partners**

Yigal Arnon  
Orly Tsioni

**Zellermayer Pelossof & Co**

Nine partners and 24 associates make up Zellermayer Pelossof, a solid firm that provides advice on banking, capital markets, project finance, insolvency and M&A transactions. Recent instructions have seen the firm advise the Saban Group on the financing of its \$1 billion-plus acquisition of Bezeq, advise Pelephone when it successfully sought \$50 million-worth of financing from Credit Suisse First Boston, and act on the debt restructurings of Dor Chemicals (worth \$70 million) and the Lumenis Group (worth \$150 million).

The capital markets group has had two new arrivals over the last 12 months: Gideon Sharir and Yasmin Tagar, both of whom joined the firm as associates. The group now numbers five partners and eight associates. Over the past year the group has advised on a series of initial public offerings and privatizations, including advising the winning consortium on relation to the Bezeq privatization. Zellermayer also advised Nilit on the sale of 20% of its shares to Markstone Capital for \$70 million. The M&A practice has a client list including Cisco, which the firm advised when it acquired P-Cube for \$200 million and Actona for \$100 million, Shamrock Holdings, and Benchmark, and numbers seven partners and 13 associates.

**Key contact partner**

Michael Zellermayer