

# Israel

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## The Israeli dual-listing project

**Yaacov Yisraeli**  
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**Tel Aviv**

The Israeli dual-listing project has been enacted by the Israeli legislature to encourage foreign listed Israeli companies to return to, and register on, the Tel Aviv Stock Exchange (the TASE).

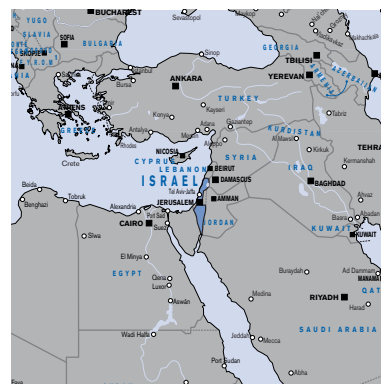
The idea for this project arose in the mid-1990s, when Israel realized that most of its companies, particularly technology companies, were not entering the market through the TASE, but rather were registering to be listed on the New York Stock Exchange (the NYSE) or Nasdaq. Unlike most foreign companies, which make their initial forays into the global market through domestic securities exchanges, Israel is ranked second (after Canada) as having the most listings in US markets.

The Brodett Committee (the Committee) was formed to analyze the driving force behind this situation, and to attempt to arrive at solutions to encourage Israeli companies to register on the TASE. After an initial study, the Committee discovered that Israeli companies believed that initial listings on US stock exchanges gave them better exposure and therefore increased the value of their public shares. These beliefs were based on three factors:

- The US market is a larger market, and one that potential investors feel more comfortable in, particularly if Israel's political situation is a factor in the investor's decision.
- Investors feel that any US listing is a good indicator that the company itself has greater worth.
- A dual-listed company is usually subject to two legal regimes. The company is subject to the laws of incorporation and securities of its home country as well as the securities laws of the country in which it lists. This dichotomy is even more noticeable in a small country such as Israel, where foreign investors are not overly familiar with the legal rules of the country and may not be aware of the protections the country offers to minority shareholders. If a company is governed by familiar rules, such as those of the SEC, an investor will feel more comfortable and will be more likely to invest.

The Committee also recognized that many companies may feel overburdened by being subject to listing requirements in two countries. Previously, dual-listed companies were required to file two quarterly annual reports in each country, based on US Gaap and Israeli Gaap. This necessitated the hiring of separate accounting firms in each country at great expense to the company, to comply with the respective listing requirements.

The Committee recognized that the enticements of foreign listings would have to be combated by making listings on the TASE more attractive and comprehensible. With this in mind, the Committee presented its recommendations to the Israeli Knesset Finance



Committee, which, after considering the issue, proposed an amendment to the Israeli Securities Law. In July 2000 the Knesset passed the amendment to the Securities Law, which enacted a two-fold solution to try to bring Israeli companies back home. First, it allows foreign listed companies to list on the TASE without the requirement of a prospectus – companies can now submit their SEC reports (Form 20-F) together with a brief registration document. Second, a dual-registered company can rely on the annual and other reports submitted to the SEC, instead of being required to file the same reports with the Israeli exchange as well.

At present, the project only applies to the main US markets: the NYSE, the American Stock Exchange and Nasdaq National Market.

The law applies only to the Nasdaq national market and not to companies that are traded on Nasdaq's small cap market, even though the same filing rules apply to them as apply to those traded on the national market. The law does allow for some flexibility with regard to this issue, as it allows the finance minister to apply the exemption to other foreign stock markets if the minister believes that the disclosure rules of such stock markets sufficiently protect the interests of Israeli investors.

Moreover, to qualify for the dual-listing exemptions, a company must either have traded on the foreign market for one year or have a market value of over \$350 million in that market.

The success of the dual-listing project has been tempered mostly by bureaucratic delays in enacting the Securities Law, which was only passed in July 2000, at the heel of the market boom. As of March 2004, 21 companies – less than 20% of all foreign-listed companies – have dual registrations. However, with the upswing in the global markets, more Israeli companies are contemplating returning to their country of origin, and final figures might well take a turn for the better soon.

## Banking

### Recommended firms

Herzog Fox & Neeman

S Horowitz & Co

Kantor Elhanani Tal & Co

Caspi & Co

I Gornitsky & Co

Gross Kleinhendler Hodak Halevy Greenberg & Co

Yigal Arnon & Co

Goldfarb Levy Eran & Co

Naschitz Brandes & Co

Shiboleth Yisraeli Roberts Zisman & Co

Weksler Bregman & Co

Yaacov Salomon Lipschutz & Co

Yehuda Raveh & Co

Zellermayer Pelosof & Co

## Capital markets

### Recommended firms

Goldfarb Levy Eran & Co

Herzog Fox & Neeman

Yigal Arnon & Co

Gross Kleinhendler Hodak Halevy Greenberg & Co

I Gornitsky & Co

S Horowitz & Co

Meitar Liquornik Geva & Leshem Brandwein

Naschitz Brandes & Co

Caspi &amp; Co

Danziger Klagsbald Rosen &amp; Co

Efrati Galili &amp; Co

Fischer Behar Chen &amp; Co

Sharir Shiv Friedman &amp; Co

Yaacov Salomon Lipschutz &amp; Co

Yehuda Raveh &amp; Co

Zellermayer Pelossof &amp; Co

## Mergers and acquisitions

### Recommended firms

Goldfarb Levy Eran &amp; Co

Herzog Fox &amp; Neeman

S Horowitz &amp; Co

Yigal Arnon &amp; Co

Caspi &amp; Co

I Gornitsky &amp; Co

Gross Kleinhendler Hodak Halevy Greenberg &amp; Co

Meitar Liquornik Geva &amp; Leshem Brandwein

Naschitz Brandes &amp; Co

Zellermayer Pelossof &amp; Co

Danziger Klagsbald Rosen &amp; Co

Fischer Behar Chen &amp; Co

Shiboleth Yisraeli Roberts Zisman &amp; Co

Yehuda Raveh &amp; Co

## Project finance

### Recommended firms

Herzog Fox &amp; Neeman

Yehuda Raveh &amp; Co

Yigal Arnon &amp; Co

I Gornitsky &amp; Co

S Horowitz &amp; Co

Caspi &amp; Co

M Firon &amp; Co Advocates and Notaries

Gilead Sher &amp; Co

Goldfarb Levy Eran &amp; Co

Shiboleth Yisraeli Roberts Zisman &amp; Co

Yaacov Salomon Lipschutz &amp; Co

Zellermayer Pelossof &amp; Co

### Caspi & Co

Senior partner Ram Caspi heads Caspi & Co's domestic practice. He manages the Tel Aviv office, and is singled out by survey respondents as an excellent practitioner of financial law. Norman Menachem Feder heads the firm's capital markets drive, and is particularly noted for his innovative approach to securitization. Feder moved to Caspi after a six-year spell in the New York office of Cleary Gottlieb Steen & Hamilton.

Caspi & Co was founded in 1927 by Israel's first minister for industry and trade, Bernard Joseph. Since then the firm has consistently raised its profile, especially over the last few years. This has been noticed in the market, and is reflected in the high-profile clients the firm has been able to attract. One such client was the Bank of America, which Caspi recently advised on a \$250 million securitization for Israel Chemicals. The firm has also provided guidance to Makhteshim during a \$150 million securitization. In the project finance area, Caspi has advised the winning bidders in the Cross-Israel Highway project. The firm also advised on the building of Israel's first desalination plant, an increasingly significant area in Israeli project finance.

#### Key contact partner

Ram Caspi

#### Leading lawyers

Ram Caspi

Norman Menachem Feder

### Goldfarb Levy Eran & Co

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With 21 partners and 36 associates in its Tel Aviv office, Goldfarb Levy Eran & Co is a firm of solid reputation. Founded in 1972, the firm offers the full compliment of financial law services. Long-standing links with US and European underwriters and investment banks give Goldfarb Levy the capacity to act in private placements and public offerings, as well as advise Israeli entities on issues on the Nasdaq and NYSE.

The firm's speciality, however, is M&A. In recent years, Goldfarb Levy has acted on many of Israel's big privatizations, foreign buyouts and venture capital deals. Despite an extended lean period in the Israeli market, the firm still manages to keep busy in M&A, advising not only Israeli but also large foreign corporates.

#### Key contact partner

William Goldfarb

### Gross Kleinhendler Hodak Halevy Greenberg & Co

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Formed by a merger in 2001, this firm offers a broad spectrum of financial advice, ranging from banking guidance to real estate matters. Commercial transactions at Gross Kleinhendler are overseen by Rona Bergman Naveh, and the banking and finance team has experience with banks both at home and abroad. Foreign clients include leading international investment banks.

Mergers and acquisitions work at the firm is overseen by partners Esther Koren Dalal and Aya Yoffe, and the coordinating team has a solid grounding in the complexities of M&A. Its capability extends to advising on buyouts, recapitalizations, tender offers, and asset sales in both domestic and foreign markets. Yoffe also heads the firm's securitization practice, advising clients on all aspects of securities law.

#### Key contact partners

Esther Koren Dalal  
Rona Bergman Naveh  
Aya Yoffe

### Herzog Fox & Neeman

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Herzog Fox is described by one competitor as "the kingpin" of the Israeli financial law market. The largest employer of lawyers in Israel, Herzog Fox boasts a plethora of highly respected individuals.

Senior partner Alan Sacks heads the banking and finance section, and led a team that advised the Koor Group as it sold a 30% holding in Elisra Electronic Systems. He and his team have also worked for clients such as The Israel Corporation, the Claridge Group, Marvel Technology and Aminim Insurance Brokers.

The firm has also acted for banks and counts Bank Hapoalim as one of its established clients. Herzog Fox has

advised the bank on the \$100 million restructuring of loans to Elscint and on the \$140 million restructuring of loans to Elbit Medical Imaging. The firm also advised Elscint on the financing of the River Bank Plaza Hotel in London.

Aside from Sacks, other leading individuals at Herzog Fox include the ex-finance minister Yaakov Neeman, a practitioner respected by other lawyers and described as an "excellent opponent". He specializes in the project finance arena, in which one competitor says the firm's team "tends to act everywhere". Also cited as a top individual is partner Mark Philips, whose expertise takes in cross-border M&A work as well as project finance.

#### Key contact partners

Yaakov Neeman

#### Leading lawyers

Yaakov Neeman  
Mark Philips  
Alan Sacks

### I Gornitsky & Co

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I Gornitzsky & Co was founded in 1938 and since then has grown through a series of mergers. In 1998 the firm merged with the law firm of Joshua Rosenweig, and then in 2001 with the law firm Efrat Smith & Co. The second merger added considerably to the firm's technology and tax capacity.

The firm's chairman is Pinchas Rubin, who has a background in academia, having lectured at Tel Aviv University. In the past, Rubin has been ranked by the Israeli press as one of the country's top commercial lawyers.

#### Key contact partner

Pinchas Rubin

### Kantor Elhanani Tal & Co

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Although small, Kantor Elhanani is considered one of the market leaders for regulatory work, a practice area that makes up around a third of the firm's work. Kantor's main asset in this area is name partner Dalia Tal, seen as one of the leading regulatory lawyers in the country.

The firm also has a reputation for banking work, and has developed close relationships with many of Israel's biggest corporates and industries. One such firm is the biopharmaceuticals company XTL, which Kantor Elhanani represented on its hostile takeover.

#### Key contact partner

Dalia Tal

#### Leading lawyer

Dalia Tal

### Shiboleth Yisraeli Roberts Zisman & Co

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Shiboleth Yisraeli employs 13 partners and 34 associates working in offices in Tel Aviv. The firm is the Israeli representative of Terralex, the global network of law firms that has Shiboleth partner Yaacov Yisraeli on its board.

Yaacov Yisraeli heads the firm's corporate and commercial group, which has a dedicated staff of eight partners and 10 associates. Among its clients are the Lauder Group, the communications company Bezeq and Israel Phoenix Insurance. The capital markets group is headed by partner Itzhak Zisman, and counts amongst its clients Fidelity Investments, Citigroup and Camtek, the technology company. At the time of writing the firm is representing Camtek in connection with its secondary public offering of between eight and 10 million shares on Nasdaq, in a deal valued at \$55 million to \$70 million; Lior Aviram and Ohad Har Lev are the Shiboleth lawyers running this deal.

In the mergers and acquisitions arena, the firm represented the Lauder group as it acquired 40% of Channel 10, in a deal valued at some \$25 million. Shiboleth also advised Drykor on an \$8 million financing, AON Insurance Group on an acquisition, and the Investment Corporation of United Mizrahi Bank Ltd in a \$7 million private placement. The firm has been active in project finance, as it provided advice to James Richardson Duty Free in its successful bid for the tender for the duty free operations in Terminal 3 of Israel's Ben Gurion Airport. Helena Beilin advised on this \$1.5 billion deal.

#### Key contact partners

Lior Aviram  
Yaacov Yisraeli

#### Leading lawyers

Helena Beilin  
Yaacov Yisraeli

### S Horowitz & Co

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Founded in 1921, S Horowitz has a long-standing reputation for providing advice in both the domestic and international markets. The firm has about 90 fee earners and operates across a broad range of financial law matters, including securities and capital markets work, M&A, project finance and banking.

S Horowitz is considered one of the top sources of banking advice in Israel. The firm is able to oversee deals involving every aspect of financing, and advise either the borrower or lender on a broad range of procedures, including trade, asset, or project finance. Also strong for M&A work, the firm advised Hewlett Packard on its takeover of Indigo, a transaction overseen by partner Clifford Davis. The firm also advised Maytag, the subsidiary of Hoover, on a \$1.5 billion acquisition. Leshan Brandwein and Efrati Galili were the lawyers acting from S Horowitz.

#### Key contact partner

Clifford Davis

#### Leading lawyer

Clifford Davis

### Weksler Bregman & Co

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Weksler has 10 partners and 19 associates, who operate from offices in Tel Aviv. The firm's practice is overseen by senior partner Uri Bregman, who has recently been nominated to serve as special administrator to the Trade Bank. Clients of the firm include both public and private entities with interests in investment banking, real estate and general commerce.

Weksler Bregman is the sole adviser to the Israeli stock exchange and is called upon to provide advice on securities and legal backing for its operations. The firm also has extensive experience in representing both underwriters and issuers in private placements and public offerings.

The leading construction and infrastructure firm Africa-Israel Investments is also a client, and recently consulted Weksler for advice on public offerings. Other clients include Africa-Israel Hotels, IDB Holdings, the Israel Discount Bank and the Israel General Bank. The firm has also advised the United Mizrahi Bank, Investes (Israel) Bank and Mercantile Discount Bank.

The firm has a reputation for advising large international clients, including Braun, Kodak and Olivetti. It also boasts an Israeli attorney with several years' experience in Japan.

#### Key contact partner

Dror Toren

#### Leading lawyer

Uri Bregman

### Yaacov Salomon Lipschutz & Co

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Six partners and 12 associates work in the firm's specialist banking and capital markets team. The firm also has a project finance and real estate capability. David Goldenblatt is in charge of capital markets deals and Alexander Samuel and Jaacov Rivanowitch share responsibility for banking work.

In past years the company has advised in a number of large deals. It advised the Israel Electric Corporation on raising \$4 billion over four years in Europe, Japan and the US under a global medium-term note programme. Yaacov Salomon has also worked on a \$300 million syndicated loan involving Citibank. Other banks advised include Bank Leumi L'Israel and Credit Industriel et Commercial. Ariel Consortium is an additional project finance client.

#### Key contact partner

David Goldenblatt

## Yehuda Raveh & Co

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The firm was set up in the 1940s by the then attorney-general and Israeli cabinet minister Gideon Hausner, and now employs some 75 staff in offices in Haifa, Tel Aviv and Jerusalem. The firm is fronted by Yehuda Raveh.

The real strength of the firm is in the project finance arena. The firm's recent work has included the Cross Israel Highway, which is being built and financed on a build-operate-transfer basis, as well as offering advice on a \$1.5 billion urban transport system development. In another financing deal, the firm is advising a consortium of over 100 lenders in connection with a \$250 million desalination plant project. Energy deals are also forming part of Yehuda's core of work, and the firm is acting in connection with a power plant development valued at some \$60 million, and on a \$500 million gas pipeline project.

Project finance initiatives are also keeping the firm's lawyers busy. The firm has become involved with a construction project concerning schools and the development of a new prison in Beer-Seva. The firm's expertise in construction matters is also sought by foreign entities in countries including Greece, Romania, Poland, the Czech Republic and Slovakia.

The banking department has also been active of late, rendering legal services to a large domestic bank concerning a \$250 million loan, and representing borrowers concerning a \$1.3 billion credit facility. Yehuda Raveh is also active in commercial property and real estate matters.

### Key contact partner

Yehuda Raveh

## Yigal Arnon & Co

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One of the outstanding firms of the Israeli financial law market, Yigal Arnon's 24 partners work across offices in both Tel Aviv and Jerusalem, making it one of the largest of the Israeli law firms. Yigal Arnon has a historically strong insolvency practice. Past clients have included the cable television company Tevel, Bank Igud, which required advice in the restructuring of Peled/Givoni, and Hamashbir Le Zarchan, the largest chain of department stores in Israel.

The project finance team also has experience of top-flight deals and among other projects, advised the government on the planning, construction and operation of the Jerusalem light rail system. The team has also advised on construction projects concerning the development of school facilities and plans to draw water from the Negev desert and desalinate it.

Yigal's M&A abilities have brought it business from a client list that includes Hutchison Whampoa, which it advised during a big share acquisition, and Cisco Systems, a firm that Yigal advised on the tender and sale of the IP-VNP network to Bezeg Telecommunications. It also advised Unilever on its worldwide merger with Bestfoods.

### Key contact partner

Yigal Arnon

### Leading lawyer

Yigal Arnon

## Zellermayer Pelosof & Co

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Based in Tel Aviv, Zellermayer has 21 associates and 10 partners, three of whom are US qualified. Five of the partners are involved in the firm's project finance team, which is headed by name partner Michael Zellermayer, and has recently been joined by associate Golan Kashi. His arrival brings the number of dedicated project finance associates to seven. The team's client list includes communications firms, chemical supplies companies and the Lumenis Group.

The insolvency and restructuring group has been busy of late, recently acting in the \$62 million receivership of the Global Wire Group; the firm was appointed to act in this matter by the District Court of Tel Aviv. The firm also advised Bank Hapoalim during insolvency proceedings with an estimated value of \$73 million. Both of these deals involved input from Ofer Shapira, the head of Zellermayer's insolvency team.

The M&A team has also been busy, as a team from Zellermayer, including Mimi Zemah and Sraya Orgad, advised Cisco Systems on its \$45 million acquisition of Riverhead Networks. The firm also had a role on the merger of the two cable operators in Israel, as Avi Ortal and Golan Kashi advised Matav on a deal valued at \$600 million.

Zellermayer Pelosof maintains a professional association with US law firm Fried Frank Harris Shriver & Jacobson. It was here that founding partner Michael Zellermayer began his legal career.

### Key contact partner

Michael Zellermayer