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## Israel Corporation Ltd.

July 22, 2010

TO:

THE SECURITIES AUTHORITY  
THROUGH THE MAGNA SYSTEM

THE TEL AVIV STOCK EXCHANGE LTD.  
THROUGH THE MAGNA SYSTEM

Dear Sir/ Madam,

### **Re: Convening of a Special General Meeting of the Company's Shareholders**

The Company wishes to announce that a special general meeting of the Company's shareholders shall be held on Monday, August 30, 2010, at 10:00, with regard to Subject (a) on the agenda, and at 14:00, with regard to Subjects (b) and (c) on the agenda (as stated in section 4.3 below), at the Company's offices at 23 Aranha St., Millennium Tower, Tel Aviv (hereinafter: the "**Meeting**").

#### 1. **On The Agenda:**

- a. To appoint Mr. Ofer Termechi to a three-year term in office as an outside director of the Company;
- b. To determine Mr. Ofer Termechi's entitlement, as an outside director, to all of the terms and conditions normally applied with regard to outside directors of the Company (including, but without limitation to, annual remuneration, remuneration in respect of participation and also the grant of insurance coverage, indemnity, etc.), by virtue of the resolutions of the general meeting and the Company's competent organs, *inter alia*, as set forth in the immediate reports dated March 22, 2001, September 11, 2007 and September 25, 2008, including the entitlement to remuneration as a director in accordance with that as set forth in the Company's immediate reports dated December 9, 2007 (Ref. no. 2007-01-471868), January 7, 2008 (Ref. no. 2008-01-007224), March 30, 2008 (Ref. no. 2008-01-088128), April 15, 2008 (Ref. no. 2008-01-110715), May 14, 2008 (Ref. no. 2008-01-133377) and August 20, 2009 (Ref. no. 2009-01-188154) (hereinafter, collectively: the "**Standard Terms and Conditions of Office**"). It shall also be noted that, whilst taking Mr. Termechi's declaration into account, the Board of Directors of the Company confirmed that Mr. Termechi is an "expert outside director", as this term is construed in the Companies Regulations (Rules Regarding Remuneration and Expenses for an Outside Director), 5760 – 2000, and therefore, he is entitled to the supplement set forth in the said Regulations in respect thereof (hereinafter: "**Expertise Supplement**");
- c. To determine the entitlement of Mr. Aviad Kaufman, who was appointed as a director of the Company on July 1, 2010 (as set forth in the Company's immediate report dated July 1, 2010) to the Standard Terms and Conditions of Office (as defined above), effective from

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the date of commencement of the said office. It shall be noted that, whilst taking Mr. Kaufman's declaration into account, the Board of Directors of the Company confirmed that Mr. Kaufman is an "expert director", as the term "expert outside director" is construed, *mutatis mutandis*, and therefore, he is entitled to an Expertise Supplement.

2. **Draft of the Proposed Resolution:**

- a. To appoint Mr. Ofer Termechi as an outside director of the Company for a period in office of three years, commencing from the date of the approval of his appointment by the general meeting.
- b. Mr. Ofer Termechi shall be entitled to all of the Company's Standard Terms and Conditions of Office (as defined above), including taking into account that he is entitled to an Expertise Supplement (as defined above).
- c. Mr. Aviad Kaufman shall be entitled, effective from the date of commencement of his office (July 1, 2010) to all of the Company's Standard Terms and Conditions of Office (as defined above), including taking into account that he is entitled to an Expertise Supplement (as defined above).

3. **Details, to the Best of the Company's Knowledge, About the Candidate for Office as an Outside Director:**

3.1 Mr. Ofer Termechi has been assessed by the Board of Directors of the Company as possessing financial and accounting expertise, and also professional qualifications in accordance with the provisions of the Companies Regulations (Terms and Criteria for a Director with Financial and Accounting Expertise and for a Director with Professional Qualifications), 5765 – 2005, including for the purpose of section 92(a)(12) of the Companies Law.

3.2 Below, we shall set forth the details regarding Mr. Ofer Termechi, as required in accordance with Regulation 36B(a)(10) of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970:

- (1) **Name:** Ofer Termechi, **ID No.:** 058822669.
- (2) **Date of Birth:** October 21, 1964.
- (3) **Address for Service of Process:** 14/3 Hashachar Street, Beit Hakerem, Jerusalem.
- (4) **Citizenship:** Israeli.
- (5) **Membership of Board of Directors' Committees:** The Audit Committee (from the date of commencement of his office).

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- (6) **Outside Director:** Yes.
- (7) **Is he an employee of the corporation, a subsidiary, a related company or an interested party?** No.
- (8) **Date of Commencement of Office as a Director:** Upon the approval of his appointment at the general meeting.
- (9) **His education:** Academic (B.A. in Statistics from the Hebrew University of Jerusalem).
- (10) **His occupation in the last five years:** Since 2006: CEO of Israel Land Development Insurance Company Ltd.; 2005 – 2006: Vice President of Business Development at Migdal Insurance Co. Ltd.
- (11) **Companies at which he serves as a director:** N/A.
- (12) **Is he a relative of any other interested party in the corporation?** No.
- (13) **Does he possess financial and accounting expertise?** Yes.
- (14) **Does he possess professional qualifications?** Yes.
- (15) **Is he an expert outside director?** Yes.

4. **Additional Details:**

- 4.1 Mr. Ofer Termechi has signed a declaration that he satisfies the terms and conditions as required for his appointment as an outside director, in accordance with the provisions of section 241 of the Companies Law, 5759 – 1999 (hereinafter: the “**Companies Law**”), which is attached herewith as **Appendix A** to this Report.
- 4.2 It shall be noted that on July 7, 2010, the Company submitted an immediate report (Ref. no. 2010-01-547737) with regard to the termination of the office of Mr. David Brodet as an outside director of the Company (due to his appointment as a director of Bank Leumi LeIsrael Ltd.). Effective from this date, the Company has acted to identify a suitable alternative candidate for the office of an outside director of the Company, and it even did so with due promptness, without compromising on the quality of the candidate.
- 4.3 Prior to the publication of this Report, the Company’s Board of Directors approved the Standard Terms and Conditions of Office for the Messrs. Termechi and Kaufman; however, taking into consideration the fact that no resolution has been passed by the Audit Committee in this matter (whilst noting that there was a shortfall in the composition of the Audit Committee prior to the passing of the resolution, that is, of one outside director), the intention is that the Company’s competent organs will approve the said Standard Terms and Conditions of Office, between the time of the discussion of Subject (a) on the agenda

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(insofar as the said appointment is approved) and the time of the discussion of Subjects (b) and (c) on the agenda.

5. **Notice of the Convening of a General Meeting:**

Notice is hereby given that a special general meeting of the Company's shareholders shall be convened on Monday, August 30, 2010, at 10:00, with regard to Subject (a) on the agenda, and at 14:00, with regard to Subjects (b) and (c) on the agenda (as stated in section 4.3 above), at the Company's offices at 23 Aranha St., Millennium Tower, Tel Aviv, whose agenda comprises the passing of the resolutions as set forth above.

6. **The Majority Required to Pass the Resolutions:**

6.1 The majority required to pass the resolution specified in section 2(a) above: is a majority of the votes of those who are present, whether in person or by proxy, at the Meeting, and who are entitled to participate in the voting, provided that one of the following conditions is satisfied: (a) the count of the votes of the majority at the general meeting shall include at least one third of all the votes of the shareholders who are not controlling shareholders of the Company, or any entity on their behalf, who are participating in the vote; the count of all the votes of the said shareholders shall not take into account the votes of the abstaining shareholders; (b) the total of the votes against, from among the shareholders as stated in paragraph (a) above, shall not exceed a rate of one percent of the total voting rights at the Company.

6.2 The majority required to pass the resolutions specified in sections 2(b) and 2(c) above: is a simple majority of the shareholders who are entitled to participate in the voting, who are present at the Meeting, whether in person or by proxy.

7. **The Effective Date:**

The effective date to determine the entitlement of a shareholder of the Company to vote at the Meeting, as stated in section 182 of the Companies Law, is on Sunday, August 1, 2010.

8. **Proof of Ownership of the Share:**

In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at the General Meeting), 5760 – 2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange Ltd. and which share is included amongst the shares of the Company which are registered in the Register of Shareholders, in the name of a nominee company, and who wishes to vote at the general meeting, shall submit to the Company

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confirmation from the said member of the Stock Exchange, with whom his title to the share is registered, with regard to his ownership of the share, on the Effective Date, in accordance with Form 1 in the Schedule to the said Regulations.

9. **Quorum:**

Pursuant to the Company's Articles, the quorum for the purpose of holding the Meeting shall be constituted when five shareholders are present, whether in person or by proxy, who have at least twenty five percent of the voting rights. If there is no quorum at the general meeting at the expiration of half an hour from the time appointed for the commencement of the Meeting, the Meeting shall stand adjourned by one week to the same day and to the same time and the same place, without it being necessary to give notice thereof to the shareholders, and if no quorum is constituted at the adjourned meeting, at the expiration of half an hour from the time appointed for the Meeting, the shareholders present shall constitute a quorum.

10. **Voting By Proxy:**

A shareholder, who is entitled to participate in and vote at the Meeting, may vote in person or by proxy, in accordance with that stated in the Company's Articles. A shareholder who wishes to vote by proxy, as set forth above, shall deposit the Power of Attorney at the Company's registered offices at least 48 hours prior to the time appointed for the Meeting or for the adjourned meeting.

11. **Vote By Voting Form:**

With regard to the resolution set forth in section 2(a) above, a shareholder may vote at the Meeting using a voting form. The vote through a voting form shall be done using the second part of the Voting Form, which is attached herewith as **Appendix B** to this Report. The shareholder may contact the Company directly to receive a draft of the Voting Form and the position statements.

The addresses of the sites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., at which the draft of the Voting Form and the position statements are available, as construed in section 88 of the Companies Law, are the distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il> (hereinafter: the "**Distribution Site**"); and the site of the Tel Aviv Stock Exchange Ltd.: <http://maya.tase.il>.

A member of the Stock Exchange shall send, by email, without charge, a link to the draft of the Voting Form and the position statements, to any shareholder who is not registered in the Register of Shareholders, and whose shares are listed with the said Stock Exchange member, if the said shareholder gave notice that he wished to receive same, provided that the notice was given with

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regard to a particular securities account, and on a date prior to the Effective Date. A shareholder whose shares are listed with a Stock Exchange member is entitled to receive the confirmation of ownership from the said Stock Exchange member through which he holds his shares, at the branch of the Stock Exchange member or by mail, to his address, in consideration of mailing costs only, if he so requested, and a request in this matter shall be given in advance, for a particular securities account.

The Voting Form and the documents which must be attached thereto (hereinafter: the “**Attached Documents**”), as set forth in the Voting Form, shall be delivered to the Company’s offices up to 72 hours prior to the time of the convening of the Meeting. In this regard, the “time of delivery” is the time at which the Voting Form and the Attached Documents reached the Company’s offices. The last date for the delivery of the position statements is up to ten days after the Effective Date, as stated in section 7 above.

12. **Inspection of Documents:**

The Company’s shareholders may inspect the draft of the proposed resolutions, at the Company’s offices, from Sundays to Thursdays, from 09:00 – 16:00, by prior arrangement on Tel: 03 – 6844500.

Sincerely yours,  
**Israel Corporation Ltd.**

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## **Israel Corporation Ltd.**

### **VOTING FORM**

**In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765 – 2005 (hereinafter: the “Voting Regulations”)**

#### **FIRST PART**

1. **Name of the Company:** Israel Corporation Ltd. (hereinafter: the “Company”).
2. **Type of meeting, date and venue:** A special general meeting, which shall be held at the Company’s offices, at 23 Aranha St. (Millennium Tower), Tel Aviv, on Monday, August 30, 2010, at 10:00 (hereinafter: the “Meeting”), and any adjourned meeting.

3. **Details of the items on the agenda in respect of which a shareholder may vote through a voting form<sup>1</sup>:**

The appointment of Mr. Ofer Termechi to a three-year term in office as an outside director of the Company.

**Brief description of the draft of the proposed resolution:**

To appoint Mr. Ofer Termechi as an outside director of the Company for a period in office of three years, commencing from the date of the approval of his appointment by the general meeting.

4. **Details, to the Best of the Company’s Knowledge, About the Candidate for Office as an Outside Director of the Company:**

Mr. Ofer Termechi has signed a declaration that he satisfies the terms and conditions as required for his appointment as an outside director, in accordance with the provisions of section 241 of the Companies Law, 5759 – 1999 (hereinafter: the “Companies Law”). The draft of the declaration was attached as **Appendix A** to the report which is the subject of this Voting Form.

Mr. Ofer Termechi has been assessed by the Board of Directors of the Company as possessing financial and accounting expertise, and also professional qualifications in accordance with the

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<sup>1</sup> It shall be noted that at the said special general meeting, at 14:00 on the same day (insofar as the said appointment is approved), additional items on the agenda shall be presented, which concern the determination of Mr. Ofer Termechi’s entitlement, as an outside director, to all of the terms and conditions normally applied with regard to outside directors serving at the Company, and also the entitlement of Mr. Aviad Kaufman (who was appointed as a director of the Company on July 1, 2010) to all of the terms and conditions normally applied with regard to directors serving at the Company, in respect of which items the shareholders may not vote through a voting form.

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provisions of the Companies Regulations (Terms and Criteria for a Director with Financial and Accounting Expertise and for a Director with Professional Qualifications), 5765 – 2005, including for the purpose of section 92(a)(12) of the Companies Law.

Below, we shall set forth the details regarding Mr. Ofer Termechi, as required in accordance with Regulation 36B(a)(10) of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970:

- (1) **Name:** Ofer Termechi, **ID No.:** 058822669.
  - (2) **Date of Birth:** October 21, 1964.
  - (3) **Address for Service of Process:** 14/3 Hashachar Street, Beit Hakerem, Jerusalem.
  - (4) **Citizenship:** Israeli.
  - (5) **Membership of Board of Directors' Committees:** The Audit Committee (from the date of commencement of his office).
  - (6) **Outside Director:** Yes.
  - (7) **Is he an employee of the corporation, a subsidiary, a related company or an interested party?** No.
  - (8) **Date of Commencement of Office as a Director:** Upon the approval of his appointment at the general meeting.
  - (9) **His education:** Academic (B.A. in Statistics from the Hebrew University of Jerusalem).
  - (10) **His occupation in the last five years:** Since 2006: CEO of Israel Land Development Insurance Company Ltd.; 2005 – 2006: Vice President of Business Development at Migdal Insurance Co. Ltd.
  - (11) **Companies at which he serves as a director:** N/A.
  - (12) **Is he a relative of any other interested party in the corporation?** No.
  - (13) **Does he possess financial and accounting expertise?** Yes.
  - (14) **Does he possess professional qualifications?** Yes.
  - (15) **Is he an expert outside director?** Yes.
5. **Inspection of Documents:** The Company's shareholders may inspect the immediate report with regard to the convening of the Meeting and the draft of the proposed resolutions, at the Company's offices, from Sundays to Thursdays, from 09:00 –16:00, by prior arrangement on Tel: 03 – 6844500, and also on the Internet site of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., as set forth below.
6. **The Majority Required to Pass the Resolution:**  
The majority required to pass the resolution specified in section 3 above is a majority of the votes of those who are present, whether in person or by proxy, at the Meeting, and who are entitled to participate in the voting, provided that one of the following conditions is satisfied: (a) the count of

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the votes of the majority at the general meeting shall include at least one third of all the votes of the shareholders who are not controlling shareholders of the Company, or any entity on their behalf, who are participating in the vote; the count of all the votes of the said shareholders shall not take into account the votes of the abstaining shareholders; (b) the total of the votes against, from among the shareholders as stated in paragraph (a) above, shall not exceed a rate of one percent of the total voting rights at the Company.

**7. Mention of a Shareholder Being a Controlling Shareholder of the Company, or An Entity on Behalf Thereof:**

In the second part of the Voting Form, space is allocated for marking whether the shareholder is a controlling shareholder of the company, or any entity on behalf thereof, and for giving a description of the nature of the relevant connection. Should a shareholder not mark such space, his vote shall not be included in the count of the votes.

**8. Validity of the Voting Form:**

8.1 The Voting Form shall be valid solely if the following is attached thereto: confirmation of ownership of the non-registered shareholder (that is to say, the shareholder in whose favor shares are registered with a member of the Tel Aviv Stock Exchange Ltd. and which shares are included amongst the shares which are registered in the Register of Shareholders, in the name of the nominee company), or a photocopy of an ID card, passport or document of incorporation, as the case may be, if the shareholder is registered in the Company's books.

8.2 This Voting Form shall be delivered, together with the documents attached thereto, to the Company's offices, up to 24 hours prior to the time of the convening of the Meeting. In this regard, the time of delivery is the time at which the Voting Form and the documents which must be attached thereto reached the Company's offices.

**9. The Company does not allow voting through the Internet.**

**10. Address for delivery of the voting forms and the position statements:** at the Company's offices, at 23 Aranha St. (Millennium Tower), Tel Aviv.

**11. The last date for delivering position statements:** A position statement of a shareholder may be submitted up to ten days after the Effective Date for determining the entitlement of a shareholder of the Company to vote at the general meeting, as stated in section 182 of the Companies Law, which is August 1, 2010. A position statement which shall include the response of the Company's

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Board of Directors may be submitted not later than five days after the last date for the delivery of position statements by the shareholders, as set forth above.

**12. Addresses of the distribution site and the Internet site of the Stock Exchange, at which the voting forms and position statements are available:**

- The address of the distribution site of the Israel Securities Authority:  
<http://www.magna.isa.gov.il>.
- The address of the Internet site of the Tel Aviv Stock Exchange Ltd.: <http://maya.tase.il>.

**13. Additional Comments, as Required Pursuant to the Voting Regulations:**

13.1 A shareholder is entitled to receive the confirmation of ownership, as defined in section 71 of the Companies Law, at the branch of the Stock Exchange member or by dispatch by mail, if he so requested. A request in this matter shall be given in advance, for a particular securities account.

13.2 A shareholder who is not registered is entitled to receive by email, without charge, a link to the draft of the Voting Form and the position statements on the distribution site, from the Stock Exchange member through which he holds his shares, unless he informed the Stock Exchange member that he does not wish to receive such a link or that he wishes to receive voting forms by mail, in consideration of payment; his notice with regard to the voting forms shall also apply with regard to the receipt of position statements.

13.3 One or more shareholders who hold shares at a rate constituting five percent or more out of the total of all the voting rights at the Company and also a shareholder who holds such a rate out of all the voting rights which are not held by the controlling shareholder of the Company, as defined in section 268 of the Companies Law, is entitled to inspect the voting forms, as set forth in Regulation 10 of the Voting Regulations.

13.3.1 As of the date of sending this Voting Form, the amount of shares which constitutes 5% of the total of all the voting rights at the Company is: 381,043 ordinary shares of the Company having a par value of NIS 1 each.

13.3.2 As of the date of sending this Voting Form, the amount of shares which constitutes 5% of the total of all the voting rights at the Company which are not held by the controlling shareholder of the Company is: 171,414 ordinary shares of the Company having a par value of NIS 1 each.

13.4 A shareholder shall note the manner of his voting with regard to each item on the agenda, and in respect of which he may vote using this Voting Form, in the second part of this Voting Form.

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## Israel Corporation Ltd.

### VOTING FORM

**In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765  
– 2005 (hereinafter: the “Voting Regulations”)**

#### SECOND PART

#### **Part A:**

1. **Name of the Company:** Israel Corporation Ltd. (hereinafter: the “Company”).
2. **Company No.:** 52 – 002801 – 0.
3. **Company’s Address (for delivering and sending voting forms):** 23 Aranha St. (Millennium Tower), Tel Aviv.
4. **Date of the Meeting:** Monday, August 30, 2010, at 10:00, and any adjourned meeting.
5. **Type of the Meeting:** A special general meeting.
6. **Effective Date:** Sunday, August 1, 2010.
7. **Voting By Internet:** The Company does not allow voting through the Internet.

#### **Part B (to be completed by the shareholders):**

##### 1. **Details of the Shareholder**

- 1.1 Name of the Shareholder: \_\_\_\_\_
- 1.2 ID No.: \_\_\_\_\_
- 1.3 Passport No. (if the shareholder does not possess an Israeli ID card): \_\_\_\_\_
- 1.4 The country in which the passport was issued (if the shareholder does not possess an Israeli ID card): \_\_\_\_\_ .
- 1.5 The passport is valid until (if the shareholder does not possess an Israeli ID card): \_\_\_\_\_
- 1.6 Corporation No. (if the shareholder is a corporation): \_\_\_\_\_ .
- 1.7 Country of incorporation (if the shareholder is a corporation): \_\_\_\_\_ .

##### 2. **Manner of Voting**

Item on the Agenda	Manner of Voting <sup>2</sup>			Are you a controlling shareholder or an entity on behalf thereof <sup>3</sup>	
	For	Against	Abstain	No	Yes*
Approval of the appointment of Mr. Ofer Temechi as an outside director of the Company for a period of three years					

<sup>2</sup> Failure to mark a response in this part is tantamount to abstaining in the vote on the said matter.

<sup>3</sup> The vote of a shareholder who fails to complete this column, or who marks “Yes”, but fails to give details, shall not be included in the count of votes.

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**\* Please specify the nature of the relevant connection:**

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3. **Comments in Accordance with the Voting Regulations:**

- a. Shareholders holding shares through a Stock Exchange member (pursuant to section 177(1) of the Companies Law, 5759 – 1999) – this Voting Form is valid solely upon the attachment of confirmation of ownership.
- b. Shareholders registered in the Company's Register of Shareholders – the Voting Form is valid upon the attachment of a photocopy of the ID card/ passport/ certificate of incorporation.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
Shareholders's Signature