

January, 2011

Dear client,

Government notices have recently been mailed to Israeli companies that are in arrears with paying annual Companies Registrar charges.

The Israel Registrar of Companies has announced that based on recent 2010 legislation it will impose sanctions against all "Non-compliant Companies" starting January 1, 2011. A "Non-compliant Company" is defined as any company that has neglected to perform one or both of the following:

- 1) Pay all the annual company registration fees to date since 2003;
- 2) File the annual Registrar Form #5 with the Company's most recent financial statements attached.

The sanctions that can be levied consist of:

- A. Monetary Sanctions: - Imposition of fines of as much as 7,340 NIS for each violation or a fine of up to 250,000 NIS for long term violations;
- B. Registrar Services Sanctions: Refusal by the registrar to process certain requests for services such as change of Company name or registration of a new company for shareholders of a Non-compliant Company.

Directors of companies may be held personally responsible for any unpaid fees and fines levied against the Non-compliant Company. The Registrar has announced expressly that failure to have received an annual bill for those fees will not justify cancellation of charges.

If a company has been inactive and wishes to get those assessed fees cancelled it should consider voluntary liquidation of the company immediately. It appears that in such latter case, annual fees during the period of inactivity will be waived.

All companies should make sure to pay all outstanding annual Registrar fees on time and to file the most recent annual financial statements with the Registrar Form #5 in order to prevent being labeled as a "Non-compliant Company". Form #5 can be downloaded on the internet at - www.justice.gov.il/MOJHed/RasutHataagidim/RashamHachvarot/TfasimNew/.

A copy of that form can be found on our website at www.GalitzerCPA.com.

We urge all clients who are in arrears in paying those annual charges to:

- 1) Pay all outstanding Registrar's annual fees as soon as possible.
- 2) Document ratification of the company's financial statements with minutes such as the draft form protocol that can be found on our website, and send us the filled in and signed original protocol to verify.
- 3) Fill in Form #5 as best you can, sign the form and give it to us to complete and file.

Please let us know how we may be of further assistances in this or any related matter.

Yours truly,

Shimon Galitzer