



**Bezeq Israel Telecommunications Corp. Ltd. ("the Company")**  
**Report of Transaction and Notice of Calling a General Meeting**  
**in accordance with the Securities Regulations (Transaction between a**  
**Company and a Controlling Shareholder Thereof) 5761-2001**  
**and pursuant to the Securities Regulations (Periodical and Immediate**  
**Statements), 5730-1970.**

In accordance with the Securities Regulations (Periodical and Immediate Statements), 5730-1970 and the Securities Regulations (Transaction between a Company and a Controlling Shareholder Thereof) 5761-2001 (hereinafter: "the Controlling Shareholder Regulations"), the Company hereby announces the calling of a special general meeting of the shareholders of the Company on Thursday, April 29, 2010, at 11:00 a.m., at the offices of the Company at 2 Azrieli Center (triangular building, 27th floor) in Tel Aviv.

1. Name of the Company: Bezeq Israel Telecommunications Corp. Ltd.
2. Essence of the association: **Debt arrangement between the Company and D. B.S. Satellite Services (1998) Ltd. (hereinafter: "D.B.S.")**.

The associating parties: The Company

D. B.S. Satellite Services (1998) Ltd.<sup>1</sup> (affiliated corporation)

Description of the highlights of the transaction:

1. The arrangement concerns the debt balance of "D.B.S." to "Bezeq", to a sum of NIS 31.5 million for telecommunication services as on July 31, 2009. The debt is mainly a result of ADSL usage fees that D.B.S. sold to its customers and from telephony services. The sum of the debt of NIS 31.5 million reflects a settlement between the position of the Company (whereby the volume of the debt is about

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<sup>1</sup> The Company possesses 49.68% of the shares of D.B.S.



10% higher than the sum of the settlement) and the position of D.B.S. (whereby there is a reciprocal debt of the Company to it concerning usage fees resulting from subscriber churn).

2. The debt balance will be paid by "D.B.S." to "Bezeq" in 36 equal monthly installments of NIS 875,000 each plus VAT and plus interest to the sum of prime interest + 1.5% plus statutory VAT for the interest.
3. If "D.B.S." fails to repay any sum on time, the Company will be entitled (without detracting from other rights thereof) to call all of the unsettled debt balance for immediate repayment, and charge "D.B.S." arrears interests at the maximum rate commonly used at that time by Bank Hapoalim Ltd. for overruns and defaults in current loan accounts.

**3. The name of the controlling shareholder who has a personal interest in the transactions and the essence of the personal interest:**

The approval of the general meeting is being requested for the sake of caution only, further to a resolution of the board of the Company <sup>2</sup>of November 4, 2009, in view of the possibility of the existence of personal interest for Ap.Sb.Ar. Holdings Ltd.<sup>3</sup> (the controlling shareholder of the Company) in associations of the Company and/or of a subsidiary / affiliate thereof with B Communications Ltd.<sup>4</sup> (which executed an agreement for purchasing the controlling core of the Company) and affiliates thereof, and associations that companies of B Communications Group have personal interest in. Eurocom D.B.S. Ltd. (which to the best of the knowledge of the

<sup>2</sup> See the immediate report of the Company of November 5, 2009 (reference number: 2009-01-274737).

<sup>3</sup> The shareholders in Ap.Sb.Ar. are: 1. SCG Israel Venture LLc (45% capital, 40.5% voting) ("SSG"), which controls private companies that are controlled by Chaim Saban. 2. Purple Green Project and Investment Ltd. along with Yellow Green Financing and Investment Ltd. (together: capital 45%, voting 40.5%), is indirectly fully owned (100%) by corporations of APAX EUROPE VI fund that is managed by APAX EUROPE MANAGERS LTD. 3. Arkin Communication Ltd. (capital 10%, voting 19%), which is controlled by Moshe Arkin.

<sup>4</sup> Its previous name: 012 Smile Telecommunication Ltd. Its name was changed to B Communications Ltd. on March 16, 2010.



Company has the same control as B communications) holds 32.63% of the shares of D.B.S.

**4. The way in which the remuneration was determined**

The proposed remuneration was determined after negotiations between the Company and D.B.S., at the end of which the parties reached a consensus concerning the volume of the debt and the form of payment. The auditing committee and the board of the Company approved the arrangement for spreading the debt as described below.

**5. Approvals for executing the transaction**

Approval of the auditing committee of the board of the Company was given on December 10, 2009.

Approval of the board of the Company was given on December 18, 2010.

Approval of the general meeting of shareholders of the Company that is being called in accordance with this report for April 29, 2010.

**6. Similar transactions.**

As indicated in the financial statements of the Company for 2009 (Note 13A(2)), D.B.S. has a current debt balance to companies in the "Bezeq" Group. The current debt balance of D.B.S. to the Company and its consolidated companies totals at approximately NIS 70 million, of which about NIS 52 million is to the Company. In September 2006<sup>5</sup> the Company formed with D.B.S. an arrangement for collecting the balance of the debt of D.B.S. to the Company to a sum of approximately NIS 55.6 million, which was in default. Pursuant to the arrangement, the debt is paid in 60 equal monthly installments plus prime interest + 1.5%. As at the date of the balance sheet for 2009, the debt balance in the arrangement is approximately NIS 19 million. The balance of the debt to the Company beyond the arrangement as

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<sup>5</sup> See the immediate report of the Company of June 19, 2006, reference number 2007-01-431204.



specified above is a current debt whose consensual terms of payment are the regular credit terms commonly used between the Company and its customers.

**7. Explanations of the auditing committee and the board and the names of the directors participating in the discussions:**

1. This is an arrangement that pertains to the debts of D.B.S. to the Company, some of which had been disputed between the parties for a long period.
2. During the last two years, a number of discussions have been held between the parties, following which the gaps in the dispute were gradually reduced, without reaching a final summary. The sum for payment pursuant to the arrangement of NIS 31.5 million reflects a compromise that was achieved between the parties concerning the alleged debt, being based, inter alia on an estimate of the odds of the contentions of the parties and the wish of the company to conclude the dispute without the need for any judicial proceedings to be held.
3. The spread of the payment that includes payment of interest to the sum of prime interest plus a 1.5% margin was made under reasonable terms, considering the market conditions and the financial state of D.B.S.
4. In view of the foregoing, the debt arrangement is reasonable under the circumstances at hand and serves the benefit of the Company.
5. Auditing committee members Eyal Yaniv (external director)<sup>6</sup> and Yitzhak Edelman (external director) and Ran Gottfried participated in the discussions of the auditing committee concerning the approval of the transaction. The following persons participated in the discussions of the board concerning approval of the transaction:

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<sup>6</sup> Eyal Yaniv ceased serving as a director in the Company on March 31, 2010.



#### **8. Personal interest of directors:**

The directors listed below may be considered as personal stakeholders with interest in the approval of the transaction owing to direct and/or indirect holdings and/or family relationship with the controlling shareholder<sup>7</sup> of the Company: Arie Saban, Menachem Inbar and Adam Chesnoff. In addition, the following directors serving in D.B. S. will be considered as stakeholders with a personal interest - Shlomo Rodav, Alon Shalev and Yoav Rubinstein (in addition, Menachem Inbar and Arie Saban mentioned above also serve). [Will not be participating in the vote and will not be attending the discussion].

#### **9. General meeting and the majority required for adopting the resolutions:**

A special general meeting of the shareholders of the Company has been called for Thursday, April 29, 2010 at 11:00 a.m. at the offices of the Company at 2 Azrieli Center, Tel Aviv (triangular building, 27th floor), whose agenda includes the settlement of debts and spread of debts of D. B.S. to the Company.

The majority required for adopting this resolution in accordance with Section 275(A)(3) of the Companies Law, 5759-1999 is an ordinary majority out of the votes of the shareholders attending the meeting who are entitled to vote and who have voted therein, without taking into account the abstaining votes, as long as one of the following occurs:

- 1) The count of majority votes in the meeting includes at least a third of all of the votes of shareholders that are not personal stakeholders in the approval of the transaction participating in the vote; abstaining votes will not be taken into account in the count of all of the votes of these shareholders;

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<sup>7</sup> - Mr. Menachem Inbar, serving as a director in the Company, holds 3% of Arkin Communication Ltd.  
 - Mr. Adam Chesnoff, serving as a director in the Company, holds 2.025% of SCG.  
 - Mr. Arie Saban, serving as a director in the Company, is a relative (brother) of Mr. Chaim Saban, who is the controlling shareholder of SCG.  
 - See details of holdings of the controlling shareholder in comment 3 above.



- 2) The total number of objecting votes out of the shareholders stated in sub-chapter (A) above will not exceed a rate of one percent (1%) of all of the voting rights in the Company.

If half a year after the date set for the meeting, no quorum is present (two members together possessing at least 51% of the issued capital stock of the Company), the meeting will be deferred to Thursday, May 06, 2010, at the same time and place. If a quorum is not present in the deferred meeting half an hour after the date set for it, the meeting will be held with any number of participants.

Each shareholder may participate in the meeting in person or by a proxy whose appointment letter will be deposited at the registered office of the Company.

The effective date for eligibility for participating and voting in the meeting according to Section 182(B) of the Companies Law, 5759-1999 will be Thursday, March 25, 2010 ("the Effective Date"), i.e. each holder of shares on the end of trading on Thursday, March 25, 2010 will be entitled to vote in the meeting against presentation of confirmation of his holding of shares on the Effective Date, made out in accordance with the Companies Regulations (Proof of Holding of Share for Voting in a General Meeting), 5760-2000.

The quantity of shares constituting 5% of the total voting rights in the Company is 133,580,076 ordinary shares of the Company. A quantity of shares constituting 5% of the total voting right sin the Company that are not held by a controlling shareholder as defined in Section 268 of the Companies Law is 92,850,284 ordinary shares of the Company.

#### **Deed of vote and statements of position**



1. Votes on this issue will also be facilitated using deeds of vote. The vote in writing will be performed on the second part of the deed of vote as published on the distribution site.
2. The addresses of the distribution site of the Securities Authority and the website of Tel Aviv Stock Exchange Ltd., which have the text of the deeds of vote and statements of position are: The distribution site of the Securities Authority: [www.magna.isa.gov.il](http://www.magna.isa.gov.il). The website of Tel Aviv Stock Exchange Ltd. [www.maya.tase.co.il](http://www.maya.tase.co.il) and the website of the Company is: [www.bezeq.co.il](http://www.bezeq.co.il).
3. A member of the stock exchange will send, free of charge, by email, a link to the text of the deed of vote and the statements of position, on the distribution site of the Securities Authority, to each shareholder that is not listed in the register of shareholders and whose shares are listed with that stock exchange member, if the shareholder announces his interest therein, as long as the notice has been given concerning a certain securities account on a date prior to the Effective Date.
4. A shareholder is entitled to apply directly to the Company to receive the text of the deed of vote and the statements of position.
5. A shareholder whose shares are listed with a stock exchange member is entitled to receive the holding confirmation from the stock exchange member through which it holds its shares, at a branch of the stock exchange member or by mail to its address in exchange for postage fees only, if requested. A notice on that matter will be given in advance to a certain securities account.
6. The deadline for issuing statements of position by the shareholders of the Company is April 4, 2010.
7. The deadline for issuing the response of the board to the statements of position is April 9, 2010.



8. The deed of vote and the documents to be attached thereto (as elaborated in the deed of vote) are to be provided to the offices of the Company up to 72 hours before the date of calling the meeting. On this matter, the "date of provision" is the date on which the deed of vote and the documents to be attached thereto are to reach the offices of the Company.

9. The delivery of the deed of vote and statement of position will be performed by hand delivery or by registered mail.

#### **6. Power of the Securities Authority**

In accordance with the Controlling Shareholder Regulations, within 21 days of the date of submitting this statement, the Securities Authority or an employee authorized thereby ("the Authority") is entitled to order the Company to give, within the time determined, an explanation, information and documents pertaining to the transaction and order the company to amend this immediate statement, in the manner and at the time then determined.

If an amendment order has been given as above, the Authority may order the deferral of the meeting date to a date that will occur not before three workdays and not later than twenty one workdays from the date of publication of the amendment to the immediate statement.

#### **7. Representative of the Company:**

The representative of the Company concerning the handling of this transaction statement is:

Adv. Linor Yochelman - Secretary of the Company.

Address: 2 Azrieli Center, Tel Aviv

Telephone: 03-6262200

Fax: 03-6262209





**8. Inspection of documents:**

The shareholders of the Company may inspect, at their request, documents pertaining to the said transaction that are elaborated in Regulation 5 of the Controlling Shareholder Regulations and any other relevant material pertaining to the resolution on the agenda of the general meeting, at the secretariat of the Company at 2 Azrieli Street, Tel Aviv, triangular building, "Bezeq House" (27th floor), on Sunday to Thursday from 10:00 a.m. to 3:00 p.m., by advance arrangement (telephone: 03-6262200).

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Linor Yochelman, Adv.  
Secretary of the Company