

## Corporate News

### **Metis Capital Ltd.: Shareholder dispute and changes in the board of directors**

**Tel Aviv/ Israel; March 16, 2008 – Metis Capital Ltd.** (Prime Standard: EIC; TASE: MTSC) Further to previous reports and to changes that have occurred to the composition of the board of directors of the company, as stated in reports of 14.5.08, and in compliance with the request of the Stock Exchange in Tel Aviv, the company wishes to clarify:

#### 1. The Control Structure in the Company and the Shareholders Agreement

Amnon Barzilay ("Barzilay") and Shimon (Moni) Harel ("Harel") indirectly hold control in the company, through a private company by the name of Ofakim Capital Ltd. that is under the control of Barzilay, who holds 100 shares out of 198 shares, and has the right to appoint three directors out of four. Ofakim Capital Ltd. holds 47.72% of the company's entire issued and paid up capital.

Concluded between Barzilay and Harel was an agreement, which was described by mail in the company's immediate report dated January 10th, 2008, pursuant to which it was agreed, among others, that Barzilay would serve as the Chairman of the Company and Harel - as Assistant and Deputy to the Chairman, and that the board of directors of the company would comprise 8 directors, four of whom would be recommended by Barzilay for nomination as directors in the company, whereas Harel would recommend for nomination two directors in the company, and also that two outside directors would hold office in the company. It was likewise agreed that the CEO of the company would continue to hold this capacity for another 4 years.

Pursuant to said agreement, shortly after the acquisition of the company's shares by Ofakim Capital Ltd. at the end of the month of January 2008, Harel was appointed on March 3rd, 2008 to be director in the company, and on March 10th, 2008, the composition of the company's board of directors was changed so as to comprise the following directors on Barzilay's behalf: Barzilay himself, Iche Menachem, Ami Herman, David Cohen, along with the following directors on Harel's behalf: Harel himself and

Michal Portman. Also serving in the company was Zvi Katz - an outside director having accounting and financial expertise. Another outside director, Itzhak Asis, had completed his term of office on March 4th, 2008.

## 2. Dispute Between the Controlling Shareholders in the Company

Between Barzilay and Harel erupted a business dispute, as part of which the parties raise various grievances towards each other, both on the level of the relations between them in connection with the establishment of Ofakim Capital Ltd., through which they hold shares in the company and the financing agreement it entered into, and on the level of the ways in which the company has been conducted. As part of said dispute, various assertions were made on Harel's part about a number of issues: The involvement of Barzilay's nephew in transactions concluded by the company in relation to the Hotels in Romania and Vienna regarding that he got part of the commissions from the brokerage. To the best of the company's knowledge, Barzilay's nephew did not get and will not get any payments from these transactions. The conditions under which two officeholders in the company hold office including payments in the adaptation period to one of them – to the company's estimation the whole payments were done according to their employment agreements which were legally confirmed and according what is conventional in other similar companies . The terms of the engagement entered into by the subsidiary Metis Car Rental Ltd. with a garage owned by the father of the CEO that were confirmed in the inspection committee and in the board of directors. As those also found their expression in the article on the newspaper Yedioth Aharonoth of May 12th, 2008. The company forwarded those assertions (which in its estimation do not have real substance), as well as further allegations made at the meeting of the board of directors (payments made following Harel's demand from subsidiaries to the football teams of HaPoel Tel Aviv and HaPoel Petach Tikva in the amount of \$150,000) to the company's internal auditor, the accountant firm Yardeni-Gelfand, so that it may look into them. Upon completion of its check, the company shall make known the fundamentals of the report it will submit.

In the financial statements the company made complete provisions and gave the whole information that was required on behalf of the issues that were forwarded to its internal auditor. According to the company estimation, all these transactions were legally confirmed.

On May 14th, 2008, the Securities Authority approached the company with a request for receiving documents and clarifications on the subjects set forth above, and the company is currently working to collect the documents and to forward those to the Securities Authority, as it has been requested to do.

### 3. Changes in the Composition of the Board of Directors

The outside director Zvi Katz has recently notified, in view of the atmosphere created at the meetings of the board of directors against the background of the relations holding between the shareholders, that he wishes to terminate his terms of office in the company.

4. In view of the dispute between the controlling shareholders and in light of the application made by the outside director, Zvi Katz, for terminating his term of office on May 15th, 2008, Barzilay sought to strengthen the board of directors by appointing two directors recommended by him - Adv. Menashe Shani and Mr. Rami Yahav, in lieu of the directors David Cohen and Iche Menachem, as well as to appoint a nominee as outside director having accounting and financial expertise (Mr. Arik Forer), and this in addition to the candidate for serving as outside director, who had already been confirmed previously (Mr. Haim Glick). To this end, Barzilay approached two directors in the company, who had been appointed on his behalf, with a request that they terminate their term of office. Iche Menachem agreed and terminated his term of office in the company on May 14th, 2008.

5. On 14.5.08, an urgent board of directors meeting was held, with the participation of four directors and in the absence of Moni Harel, David Cohen and Michal Portman, and it was then that the cooptation of the two directors, Adv. Menashe Shani and Rami Yahav, was approved, as was also approved the appointment of another nominee for the post of outside director, as stated above, (subject to the approval of the General Meeting). At the conclusion of the meeting, the company announced the termination of the term of office of Zvi Katz and Iche Menachem.

6. The company has the intention of urgently convening an Annual General Meeting, whose agenda is to include also the appointment of outside directors. Likewise, Barzilay intends to take action so as to see to it that Mr. David Cohen's term of office as a director in the company is not extended.

7. The company deplores the fact that a business dispute between the controlling shareholders in it has thrown the company into turmoil. However, despite the troubled relationship between Barzilay and Harel, the company's position is, financially speaking, solid, and it meets all its obligations to holders of (Series A) bonds, as well as towards the financial institutions.

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