

Metis Capital Ltd

(the "Company")

Immediate Report

Pursuant to the Immediate Report of the Company dated 16.6.2008 in the matter of the lawsuit and motion of Gmul Investment Company Ltd. ("Gmul") to appoint a special manager to the company in a derivative action due to shareholder oppression, the company hereby notifies as follows:

A motion that Gmul filed in court to erase the claim and the motion to appoint a special manager that it filed against the Company, the controlling shareholder of the Company – Ofakim Capital Ltd. ("Ofakim") and the controlling shareholders of Ofakim – Amnon Barzilai, Moni Harel and private companies in their control, was received in the offices of the company on 25.6.2008.

In the justifications for the motion Gmul mentioned that since the motion to appoint a special manager to the Company was filed, events occurred and facts and claims became clear to Gmul that caused it to change its position that the Company can no longer continue on its own and that a special manager must be appointed to the company, for the following reasons:

1. The appointment of Dr. Simcha Sadan to the board of directors of the Company (while the appointment of the controlling shareholder's son, Mr. Amnon Barzilai, was off). Dr. Simcha Sadan is a person with a reputation, integrity and much experience and there is no doubt that his appointment could help in preventing additional harm to the Company.
2. The appointment of Dr. Simcha Sadan as a director in Ofakim and as its representative in the general meeting of the Company.
3. The signature rights in Ofakim were modified, and as of today, apparently there is no longer a fear that Ofakim shall encounter a situation of deadlock due to a dispute between its controlling

shareholders, as the situation was at the time of filing the statement of claim and motion for the appointment of a special manager.

4. The Company's notice of 16.6.2008 that it is acting to sell the unprofitable activities in "Europecar" and that advance negotiations are taking place in this matter, a sale that, if it should be implemented, could reduce the Company's debts (contradictory to the arguments that were made by Moni Harel).
5. Furthermore, it seems that, unlike in the past, the Company is relating more seriously to the internal auditor's examination procedure, inter alia, regarding Moni Harel's claims with respect to transactions in conflict of interests etc, as indicated in the review of the Company in meeting of bond owners (series A) on 23.6.2008.
6. Moreover it became known to Gmul that Moni Harel's petition to liquidate Ofakim was erased and a new proceeding was filed for relief to eliminate the minority oppression and elicitation between the shareholders in Ofakim.

Gmul announced that in spite of the aforesaid, it still has substantial fears regarding the continuation of the Company and it intends to continue to be cautious in order to ensure the rights of the minority shareholders in the Company (like the shareholders' rights in Gmul), however it is of the opinion that such extreme redress of appointing a special manager to the Company is no longer justified and it requests to erase the claim and motion to appoint a special manager without an order to pay costs.

Gmul mentions that its petition to erase the proceedings does not constitute a consent or admission to any other the claims that appeared in the answers to the motion to appoint a special manager.

In light of the motion the Company shall consider to sue Gmul for compensation for all of the expenses, costs and damages which were caused and/or shall be caused to the company for filing the lawsuit and the motion that were unfounded and lacked any basis by Gmul.

Sincerely,

Metis Capital Ltd.