

# Shagrir Group Vehicle Services Ltd. (the “Company”)

To  
The Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To  
The Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

To Whom It May Concern,

To Whom It May Concern,

September 26, 2016

## Re: Notice of Convening a Special Meeting of the Company

The Company is hereby pleased to announce, in accordance with the Companies Law, 5759-1999 (the “Companies Law”) and the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (the “Controlling Shareholder Regulations”), the convening of a special meeting of the Company’s shareholders (the “Meeting”), which will be held on Thursday, November 3, 2016, at 2:00 PM at the Company’s offices on 8 Hanefach Street, Holon (the “Company’s Offices”).

1. On the meeting agenda - the Company’s engagement in an agreement with the Company’s controlling shareholder, DBSI Investments Ltd. (“DBSI”), for management services, as detailed hereunder:

1.1. Background:

On June 28, 2016, the Company’s shares were listed for trade on the Tel Aviv Stock Exchange, according to the prospectus for the listing of the Company’s shares for trade bearing the date May 27, 2016 (Reference No.: 2016-01-035664) (the “Prospectus”). From the date the Company goes public<sup>1</sup> and until the date of the report, DBSI is providing the management services detailed hereunder to the Company at no cost.

1.2. The Proposed Engagement

1.2.1. The Agreement Period: DBSI shall provide the Company with management services, starting from July 1, 2016, for a duration of five (5) years from the date the Company goes public<sup>2</sup>, meaning, until June 23, 2021. Each of the parties shall be permitted to terminate this Agreement by ninety (90) days prior written notice.

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1 In this regard, June 23, 2016 is the date of the actual disbursement of the Company’s shares, as a dividend-in-kind, to the shareholders of Pointer Telocation Ltd.

2 In accordance with Section 1B(b)(2) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000.

- 1.2.2. **Content of Management Services:** (A) Strategic consulting for the Company and its managers (according to the Company's needs); (B) Assistance with the Company's business development; (C) Assistance, consulting and ongoing support for merger and acquisition processes; (D) Assistance to the Company's CEO in all material aspects connected with the Company's activity; and (E) Service of directors that will participate and take part in the Company's board meetings and committees and in any other professional forum of the Company, including active chairman services for the board of directors.

All of the services described above in this section shall be termed hereinafter: the "**Management Services.**"

- 1.2.3. **Scope of the Services:** The Management Services shall be provided through the availability of up to four (4) directors (including a chairman) for the Company's board of directors. The Management Services include the provision of active board chairman services in the form of Mr. Yossi Ben Shalom, on the scope of a monthly employment of no less than 40%, who shall deal and be responsible for the activities included in the content of said Services.

- 1.2.4. **The Management Services Data:** The Management Services shall be provided to the Company through DBSI's officers, who shall serve as directors in the Company. As of the date of this immediate report, serving in the Company on behalf of DBSI are Mr. Yossi Ben Shalom serving as the active chairman of the board and directors Nir Cohen and Kinneret Yaari (the "**Directors**")<sup>3</sup>.

For the details regarding the Directors Yossi Ben Shalom, Kinneret Yaari and Nir Cohen under Article 26 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "Reporting Regulations"), see Section 7.1 of the Prospectus.

- 1.2.5. **The Consideration:**

For the active chairman of the board of director services, the Company shall pay DBSI monthly management fees amounting to NIS 35,000, linked to the rise in the consumer pricing index, with added lawful VAT, against the

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<sup>3</sup> On August 18, 2016, the annual shareholder meeting approved the reappointments of the directors. For further details, see the immediate report published by the Company on July 13, 2016 (reference no.: 2016-01-081460).

presentation of a tax invoice (the “**Active Chairman Salary**”). The basic index for calculating said linkage is the May, 2016 index.

For the services of each of the directors serving as directors in the Company on behalf of DBSI (including the chairman of the board), the Company shall pay DBSI director wages according to the “fixed sum” stated in the Companies Regulations (Rules for the Remuneration and Expenditures of External Directors), 5760-2000 (the “**Directors’ Wages**”). The proposed Directors’ Wages is identical to the remuneration paid to the other directors in the Company (external directors Lian Goldstein and Yaron Dor, independent director Shai Cohen, and director Chaim Dvir).

The salary of the active chairman and the Directors’ Salary shall jointly be termed hereinafter: the “**Management Fees.**”

The Management Fees shall be paid to DBSI during the agreement period within five business days of the beginning of each calendar quarter, for the services provided over the course of the preceding quarter. Should Management Services be provided for a period of time constituting a portion of a calendar year, DBSI shall receive the relative sum on account of such, in accordance with the number of months it provided the Services during that calendar year, in addition to any sum owed to it for a full calendar year for which it provided Management Services to the Company.

1.2.6. **Reimbursement of Expenses:**

The Management Fees constitute the final and absolute consideration for all of the Management Services, and DBSI and/or the directors shall not be entitled to any additional remuneration from the Company, except for the reimbursement by the Company for expenses associated with flights from abroad issued by DBSI or any of the members of the board of directors actually serving on its behalf, in connection with the provision of Management Services that is the subject of this immediate report. Close to the date of the approval of the Company’s annual financial statements, data regarding said reimbursement of expenses, to the extent that such was made, will be presented before the Company’s audit board.

Presented in the following table is the monthly remuneration to be paid to DBSI, to the extent that the engagement proposed above is approved, in accordance with the sixth addendum to the Reporting Regulations:

Details of the Recipients of the Compensation:				Compensation for Services			Other Compensation
Name	Position	Scope of Position	Share of Capital Holdings in the Corporation	Salary, Bonus, Share-Based Payment	Management Fees	Consulting Fees and Other Fees	Interest, Rent, Other
DBSI	Provision of Director Services	--	See Section 2 hereunder	--	Director's Salary (as defined above) for each Director	--	--
	Active Chairman of the Board of Directors	40%		--	35,000 NIS		--

\* As detailed in Section 1.2.5 above, the Management Fees shall be linked to the known consumer pricing index for May, 2016.

## **2. Additional Details of the Transaction in accordance with the Transaction with a Controlling Shareholder Regulations:**

### **2.1. Names of the controlling shareholders in the Company who have a personal interest in the approval of the proposed engagements and the essence of their personal interest:**

2.1.1. DBSI is the controlling shareholder in the Company, and has a personal interest in the approval of the engagement proposed on the meeting agenda, because it is a party to the engagement.

2.1.2. To the best of the Company's knowledge, as of the date of the immediate report, DBSI holds some 36.28% of the capital interests and voting rights and some 35.07% of the fully diluted capital interests and voting rights. To the best of the Company's knowledge, as of the date of the immediate report, the issued and paid up share capital of DBSI and the voting rights therein are held by private companies as follows: (1) BRIN Investments Ltd. - a private Israeli company that holds 76% of the issued and paid up share capital of DBSI, whose shareholders include, to the best of the Company's knowledge, Mr. Boaz Dotan and Ms. Varda Dotan (at a rate of 45% each) (the "**Dotan Couple**"), and their son Mr. Barak Dotan (at a rate of 10%). The Dotan Couple have granted Mr. Barak Dotan a power of attorney whereby Mr. Barak Dotan

may use the shares of the Dotan Couple as if they were his own, excluding regarding their transfer. The power of attorney may be cancelled with prior notice of 90 days; (2) White Condor Holdings Ltd. (“**Condor**”)<sup>4</sup> - a private Israeli company that holds approximately 21.6% of the issued and paid up share capital of DBSI, and whose shares, to the best of the Company’s knowledge, are held in full by Mr. Yosef Ben Shalom, who serves as the chairman of the Company’s board of directors; (3) Pulpit Rock Investments Ltd. - a private Israeli company that holds approximately 2.4% of the issued and paid up share capital of DBSI, and whose shares, to the best of the Company’s knowledge, are held in full by Mr. Yosef Ben Shalom and his wife, Edna Ben Shalom, through the Ben Shalom Edna and Yosef Holdings Ltd. company, under their joint control. There is a shareholders agreement between the shareholders of DBSI as set forth above.

## 2.2. **Determination of the Consideration**

The approval of the engagement on the meeting agenda was brought before the Company’s audit board and board of directors for discussion, and was approved for the reasons details in Section 2.5 hereunder.

## 2.3. **Approvals Required for the Execution of the Proposed Engagement**

2.3.1. The audit committee, in its meeting of September 21, 2016, and the board of directors of the Company, in its meeting of September 25, 2016, approved the proposed engagement.

2.3.2. The Proposed Engagement requires approval of the Company’s general meeting, which is summoned in this report.

## 2.4. **Details of Transactions of the Type of Engagement Proposed**

Except for exempting, insuring and indemnifying the Company’s officers, as detailed in Sections 8.2 to 8.4 (inclusively) of the Prospectus, the Company did not engage in additional transactions of the type proposed or transactions similar to them, between the Company and the controlling shareholders or in which the controlling shareholders had a personal interest, that were signed in the two years preceding the approval of the proposed engagements by the board of directors, or which are still valid as of the date

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<sup>4</sup> The holdings of Condor in DBSI as stated above are held for its benefit in trust through a trust company of the Shenkar-Lex & Co. Law Firm.

on which they were approved by the board of directors.

2.5. **Summary Arguments of the Audit Committee and the Board of Directors to Approve the Proposed Engagement**

2.5.1. The consideration for the Management Services was determined on the basis of the scope of time that would be required to provision the Management Services, the issues that would be dealt with in the framework of the Management Services, and the knowledge and skillsets of the Management Services providers. The terms of the Agreement with DBSI reflect a fair and reasonable economic cost, and allow for the receipt of professional, quality Management Services from knowledgeable, skilled and experienced service providers, as required by the scope and nature of the services.

2.5.2. The members of the Company's audit board and board of directors were presented with comparative statistics relating to management fees paid in companies with a scope of activity and/or market value similar (as much as possible) to those of the Company, and the audit committee believes that the required processes have been upheld as far as holding a competitive process prior to the engagement is concerned, as stated in Section 117(1b) of the Companies Law. It was determined that this is a reasonable payment compared to what other companies in the field or with similar market value and/or equity are paying.

2.5.3. The proposed consideration for the Management Services is consistent with the Company's remuneration policy<sup>5</sup>.

2.5.4. The Company's audit committee and board of directors determined that the engagement does not involve a disbursement (as defined in the Companies law) and that there is no reason to be concerned that the engagement would prevent the Company from meeting its current and future obligations, when such come due.

2.6. **Directors who Participated in the Decisions of the Audit Committee and Board of Directors**

2.6.1. Participating in the meeting of the Company's audit board that was held on September 21, 2016 were the esteemed directors Lian Goldstein (external

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<sup>5</sup>The Company's remuneration policy is attached as Appendix 3 to the Company's Prospectus.

director), Yaron Dor (external director) and Shai Cohen (independent director).

2.6.2. Participating in the meeting of the Company's board of directors that was held on September 25, 2016 were the esteemed directors Lian Goldstein (external director), Yaron Dor (external director) and Shai Cohen (independent director) and Chaim Dvir. The esteemed Yossi Ben Shalom, Nir Cohen and Kinneret Yaari did not participate in the discussions or in the adoption of the resolutions, on account of their personal interests in the approval of the proposed engagements, as detailed in Section 2.7 hereunder.

### 2.7. **Directors with Personal Interests and the Essence of their Personal Interests**

2.7.1. Mr. Yossi Ben Shalom, serving as the chairman of the Company's board of directors, has a personal interest in the approval of the proposed engagement on account of him being a shareholder in DBSI, the controlling shareholder in the Company, which is a party to the engagement, as stated.

2.7.2. Directors Kinneret Yaari and Nir Cohen have personal interests in the approval of the proposed engagement on account of them being officers in DBSI, the controlling shareholder in the Company, which is a party to the engagement, as stated.

### 3. **Additional Details of the Meeting**

3.1. The majority required to approve the resolutions on the meeting agenda is as stated in Section 275(A)(3) of the Companies Law, whereby a majority of votes of the shareholders present and participating in the vote is required, provided that one of the following is met:

3.1.1. A majority of votes cast at the General Meeting includes a majority of the votes of shareholders who do not have a personal interest in the approval of the transaction, that are participating in the vote; in counting all votes of shareholders, abstentions shall not be taken into account; parties with a personal interest shall be subject to the provisions of Section 3.6 below.

3.1.2. The total of opposing votes among the shareholders described in Section 3.1.1 above will not exceed a rate of 2% of all of the voting rights in the Company.

### 3.2. **Effective Date**

In accordance with Section 182(c) of the Companies Law, any party that is a

shareholder of the Company on the end of the trading day on October 6, 2016 will be entitled to participate in the meeting and vote on their own or through an agent or voting ballot or through a vote on the electronic system, in accordance with and subject to Section 3.5 below.

The letter of appointment of a proxy or a copy thereof, certified by an attorney, to the satisfaction of the board of directors or party authorized thereby, will be provided to the Company's offices at least 48 hours before the effective date for the commencement of the meeting or the adjourned meeting, as applicable, subject to provide of its ownership of shares in accordance with the Companies Regulations (Proof of Ownership of Shares for Voting in a General Meeting), 5760-2000.

### 3.3. **Legal Quorum**

A discussion in the general meeting will not commence without the presence of at least two (2) shareholders holding at least twenty-five percent (25%) of the voting rights in the Company, whether on their own or by an agent, through voting in the electronic voting system or through a written ballot in accordance with the provisions of the Companies Law (a "**Legal Quorum**"), within half an hour from the time scheduled for the meeting to commence. In the event that a Legal Quorum is not present at the end of half an hour from the time schedule for the commencement of the meeting, the meeting will be postponed by seven (7) days, and will be held on Thursday, November 10, 2016, at the same time and in the same place (the "**Postponed Meeting**"). If there is no Legal Quorum in the Postponed Meeting within half an hour from the date scheduled for the meeting to commence, the Postponed Meeting will be held with any number of participants.

### 3.4. **Option for Adding Items to the Meeting Agenda**

3.4.1. One or more shareholders that holds at least one percent of the voting rights at the general meeting may subject a request to the Company's board of directors in accordance with Section 66(b) of the Companies Law, to include a topic on the agenda of the meeting by October 13, 2016.

3.4.2. In the event that the Company's board of directors has determined that a matter that was requested to be included on the agenda as stated in Section 3.4.1 above is fit to be discussed in the general meeting, the Company will publish an updated voting ballot on the Distribution Site (as defined in Section 3.5.1

below), by October 20, 2016.

### 3.5. **Written Ballot, Position Statements and Electronic Voting**

- 3.5.1. The vote regarding the resolutions on the agenda listed above may be executed via voting ballot. The text of the voting ballot and position statements (if any), as defined in Section 88 of the Companies Law, may be reviewed on the distribution website of the Securities Authority at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and the website of the Tel Aviv Stock Exchange Ltd. at [www.tase.co.il](http://www.tase.co.il). (the “**Distribution Site**”).
- 3.5.2. A shareholder may contact the Company directly and receive the wording of the voting ballot and position statements (if any). The vote will be performed on the second part of the voting ballot, as published on the Distribution Site. The Stock Exchange Member will send a link to the text of the ballot and the position statements on the Distribution Website by email, free of charge, to any shareholder who is not registered in the shareholder registry and whose shares are registered with that same member of the Stock Exchange (an “**Unregistered Member**”), if the shareholder gave notice that it is interested in receiving such link and provided that the notice was given regarding a specific securities account and on a date prior to the effective date. A shareholder whose shares are registered with a Stock Exchange Member is entitled to receive confirmation of ownership from the Stock Exchange Member through which he holds his shares, at a branch of the Stock Exchange Member through which the shares are held, at the branch of the Stock Exchange Member or via mail to his address, in consideration for the cost of postage alone, if it so requests, and a request in this regard will be provided in advance for a specific securities account.
- 3.5.3. The deadline for providing position statements by a shareholder of the Company is October 24, 2016.
- 3.5.4. The deadline for providing position statements by the Company’s board of directors is October 29, 2016.
- 3.5.5. The deadline for delivering the written ballots is four hours before the meeting date.
- 3.5.6. **Electronic Voting**

An unregistered shareholder may vote through a voting ballot provided to the Company on the electronic voting system, all in accordance with and subject to the conditions set forth in the Companies Regulations (Voting Ballot and Position Statements), 5766-2005 (the “**Voting Regulations**” and the “**Electronic Voting**,” respectively). An unregistered shareholder may show that the Confirmation of Ownership was transferred to the Company through the electronic voting system.

In accordance with and subject to the conditions set forth in the Voting Regulations and the instructions of the Securities Authority in this regard, electronic voting will be possible until six hours before the date on which the meeting convenes (the “**System Closing Time**”). It is clarified that in accordance with the provisions of the Voting Regulations, the electronic vote may be changed or cancelled by the System Closing Time, and cannot be changed through the system after this time.

3.6. **Notice of a Personal Interest and Additional Information Required under the Voting Regulations**

3.6.1. Under Section 276 of the Companies Law, before a vote on the resolution on the agenda of the meeting, each shareholder wishing to participate in the vote shall notify the Company before the vote as to whether or not the shareholder has a personal interest in the resolution as stated. If a shareholder did not provide notice as aforesaid regarding the same resolution, it shall not vote and its vote will not be counted regarding the same resolution.

3.6.2. In addition, in accordance with the Voting Regulations, each shareholder wishing to participate in the vote will be required to notify the Company, including by way of indicating in the designated place on the voting ballot and/or power of attorney and/or electric voting system as to whether or not it is an interested party, senior officer, or institutional investor of the Company.

3.7. **Representatives of the Company for Handling the Immediate Report:**

Advocates Ori Gotlieb and Oz Salomon from Schnitzer, Gottlieb, Samet & Co. Law Firm, at 7 Menachem Begin Road, Ramat Gan. Telephone: 03-6113000; Fax: 03-6113001.

3.8. **Power of the Securities Authority**

Within twenty-one days from the submission of this immediate report, the Securities Authority or an employee authorized for the same (hereinafter: the “**Authority**”) may instruct the Company to provide, within the date determined, an explanation, detail, information and documents related to the engagement on the meeting agenda, and to instruct the Company to amend this immediate report in the manner and on the date determined. In the event that an instruction is provided to amend as stated, the Authority may order the delay of the date of the meeting to a date that will occur no earlier than three business days and no later than twenty-one days from the publication of the amendment to this immediate report.

3.9. **Review of documents**

The shareholders of the Company may review, at their request, any document related to convening the meeting at the subject of this immediate report at the offices of the Company, on Sunday-Thursday on business days between 10:00 AM and 4:00 PM, by appointment with Ms. Revital Avrahami (tel.: 03-5578877) and on the Distribution Site.

Respectfully,

Shagrir Group Vehicle Services Ltd.

Signed by Revital Avrahami, CFO of the Company