

**ELECTRONICS LINE 3000 LTD.**  
**(“Company”)**  
**14 Hachoma Street, Rishon LeZion, Israel**  
**Telephone: +972-3- 9637777, Fax: +972-3-9616584**  
**www.electronics-line.com**

**NOTICE OF A SPECIAL GENERAL MEETING OF SHAREHOLDERS**

Rishon LeZion, Israel  
September 4, 2011

**Dear Shareholder,**

You are hereby invited to attend the Special General Meeting of Shareholders (“the Meeting”) of Electronics Line 3000 Ltd. (the “Company”) to be held at 14:30 on Monday, October 10, 2011, at the Company’s offices at 14 Hachoma Street, Rishon LeZion, Israel.

The purpose of this Meeting is set forth in the accompanying “Statement of the Company” for voting by means of Proxy. For the reasons set forth in the Statement of the Company, the Company’s Board of Directors recommends that you vote “FOR” the proposals set forth and specified on the enclosed form for voting by means of Proxy (Attachment B).

A copy of the Proxy is also available on the Company’s web site: [www.electronics-line.com](http://www.electronics-line.com)

The determining date with regard to the eligibility of shareholders to vote at the Meeting, as stated in Section 182 of the Israeli *Companies Law, 1999*, is the end of the day of trading in Frankfurt, Germany, the exchange on which the shares of the Company are traded, on September 12, 2011. If no trading of the Company’s shares takes place on such date the determining date shall be the last day of trading preceding such date (“Record Date”).

Shareholders, whose shares are securitized by a global share certificate deposited at Clearstream Banking AG, and who wish to exercise their voting rights, may choose one of the following two alternative voting procedures approved by a recognized financial institution:

1. To send their Ownership Certificate in the form attached hereto as Attachment A (“Ownership Certificate”) confirming their ownership of shares of the Company on the Record Date approved by a recognized financial institution together with the notice of appointment and instructions for voting by means of Proxy in the form attached hereto as Attachment B (“Proxy”) directly to the Company. The Ownership Certificate and the Proxy must be received by the Company at its offices no later than 48 hours before the Meeting, via the Company’s fax number, +972-3-9616584 or mail as an alternative, or
2. To send their Ownership Certificate approved by a recognized financial institution together with the notice of appointment and instructions for voting by means of Proxy via their depository bank to BANKHAUS NEELMEYER AG, Am Markt 14-16, 28195 Bremen, GERMANY, fax number +49-(0) 421-3603-153, no later than 48 hours before the Meeting. BANKHAUS NEELMEYER AG will forward the shareholders’ Proxies together with the Ownership Certificate to the Company.

Shareholders who wish to vote in person shall arrive the Meeting at the said time and place with their original Ownership Certificate, provided that they have delivered their Ownership Certificate approved by a recognized financial institution directly to the Company and that their Ownership Certificate was received by the Company at its offices no later than 48 hours before the Meeting, via the said Company’s fax number or mail as an alternative.

By Order of the Board,

\_\_\_\_\_  
Mr. Moshe Alkelai  
Chairman of the Board

**ELECTRONICS LINE 3000 LTD.**  
**STATEMENT OF THE COMPANY**

The enclosed Statement is solicited on behalf of the Board of Directors (the “Board”) of Electronics Line 3000 Ltd. (the “Company”) for use at the Company’s Special General Meeting of Shareholders (the “Meeting”) to be held at 14:30 on Monday, October 10, 2011, at the Company’s offices at 14 Hachoma Street, Rishon LeZion, Israel or at any adjournment or postponement thereof, for the purposes set forth herein.

It is proposed that at the Meeting, the shareholders of the Company (“Shareholders”) approve the following resolutions:

- (1) A. To grant options to purchase shares of the Company to the following persons:

Name	Position	Number of options
Douglas Luscombe	Company CEO	60,000
Lior Meidan	Company Director & Risco CFO	50,000
Ilan Koren	Risco VP R&D	50,000
Igal Carmi	Risco VP Operations	50,000
Hezi Shabetai	Risco VP Customer Service	50,000
Arnon Lin	Risco VP Manufacturing	50,000
To be recruited	Risco VP Marketing	50,000
Yigal Fatran	Company Director	20,000
Total		380,000

- B. The allocation of the options will be in accordance with the following terms:

- a. The allocation will be under the existing option plan of the Company, which was approved and confirmed by the Israeli tax authorities.
- b. The options will be allocated at no cost for a period of for 10 years. The optionee will be entitle to purchase shares (ordinary share 5 NIS par value) in accordance with the vesting periods, subject to the options period and his/her employment status (up to 90 days post employment).
- c. The exercise price shall be €1.5 per share.
- d. Vesting schedule: 33.3% of the options granted shall vest on the 1<sup>st</sup> anniversary from date of grant, additional 33.3% on the 2<sup>nd</sup> anniversary, and the remaining on the 3<sup>rd</sup> anniversary.
- e. in the event Risco’s control in the Company will cease by a shares transaction, the options will become immediately vested and the optionee will be entitled to exercise the options and join Risco as part of the transaction.

- (2) To approve the sale of raw material from Company to Risco.

Background:

According to Company's business plan to outsource its manufacturing of products, The Company's manufacturing lines were closed during the beginning of year 2011, and all its workers were dismissed. Due to this the Company was left with a stock of raw material in inventory in a total worth of approximately US\$3.7Million (calculated at cost price) that it owns and now should be utilized to the manufacturing through outsourcing.

Hence the Company's management has decided in the previous quarter to sell the said raw material to Risco (parent company of the Company) and to Karce (non related third party), a Chinese manufacturer engaged by the Company, in order for the two to use the raw material in the production of the Company' products. Approximately US\$1.6M worth of raw material was sold to Karce and over US\$2M to Risco.

This was done in several tranches over a period of several months commencing December, 2010.

The raw material was sold to both Risco and Karce under the same terms - cost prices that the Company paid that were taken from the Company's books. In addition, the prices of the finished goods of the Company's products manufactured by Risco, that were sold to the Company pursuant to the terms of the Manufacturing Services Agreement signed between Risco and the Company, were determined in accordance with this cost of raw material used for its production.

The shareholders are to be noted that that the sale of raw material to Risco is favorable to the Company and in its best interest for the following reasons:

- a. Cash Flow – the Company bettered its cash flow as it already received payment for the raw material and will only pay for the finished products when receiving them.
  - b. Responsibility and handling of the raw material - management, financing, storage and all risks related to said raw material were passed to Risco (and Karce).
  - c. Slow Inventory – there was no better alternative at the time to make use of this raw material, and hence the raw material would have become slow inventory. Accordingly, should this transaction not be approved, this would require the Company to take a provision for writing off the remaining raw material stock in the amount of approximately US\$1.2M in its coming financial statements.
- (3) To amend the Manufacturing Services Agreement signed between the Company and Risco on August 2010 by way of adding an option that at Company's discretion, Risco will supply raw materials to Company's manufacturers only if such action is economically justifiable and improves the Company's situation. In addition, to approve prior transactions of sale of raw material by Risco to Company manufacturers in an amount of US\$2.9M, that comply with the above terms.

The approval of proposals 1, 2 and 3 requires the affirmative vote of at least a majority of the votes of shareholders who participate in the voting at the Meeting in person or by proxy. In addition, such majority must include one of the following:

- (a) At least one half (1/2) of shareholders present at the time of voting, who do not have personal interest in the resolution or representatives of such persons; in

counting the total votes of such shareholders, abstentions shall not be taken into account;

- (b) The total number of votes of the shareholders mentioned in clause (a) above that vote against such proposal does not exceed two percent (2%) of the total voting rights in the Company.

Only shareholders of record at the close of business on the Record Date will be entitled to a notice of and to vote at the Meeting, provided that such shareholders sent their Ownership Certificate and Proxy to the offices of the Company, no later than 48 hours before the Meeting, as detailed in the notice.

Shareholders may revoke the authority granted by their execution of proxies at any time before the effective exercise thereof, by filing with the Company a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the Meeting.

In order for there to be a legal quorum at the Meeting, there must be present, in person or by proxy, no less than two (2) shareholders holding or representing at least one-quarter (1/4) of the voting rights in the Company. If after half an hour of the commencement of the Meeting no legal quorum is present, the Meeting will automatically be adjourned for one week and shall reconvene at the same time and location, unless notified otherwise by the Board. At such adjourned Meeting the same agenda will be applicable and the legal quorum will be two (2) shareholders.

The share capital of the Company at the point of time of the notice of the Special General Meeting of Shareholders is NIS (New Israeli Shekel) 68,564,240 and is divided into 13,712,848 ordinary shares. The total number of voting rights at the point of time of notice of the Special General Meeting of Shareholders is 13,712,848.

## **ITEM 1 –GRANT OF OPTIONS**

The Board has recommended the granting of options to the persons, and pursuant to the terms, set forth in the Statement of the Company above.

It is proposed that at the Meeting, the following resolution be adopted:

**1 “RESOLVED**, to grant options to purchase shares of the Company to the persons, and pursuant to the terms of grant, set forth in Section 1 to the Statement of the Company and to authorize the Company's management to execute such grant of options.”

**The Board recommends a vote FOR the approval of this proposed resolution.**

## **ITEM 2 - SALE OF RAW MATERIAL FROM COMPANY TO RISCO**

The Board has recommended to approve the sale of raw material from Company to Risco in an approximate amount worth of US\$2M.

It is proposed that at the Meeting, the following resolution be adopted:

**2 “RESOLVED**, to approve the sale of raw material from Company to Risco in an approximate amount worth of US\$2M, the details of said transaction are set

forth in Section 2 to the Statement of the Company, and to authorize the Company's management to execute and complete said transaction."

**The Board recommends a vote FOR the approval of this proposed resolution.**

**ITEM 3 – AMENDMENT OF MANUFACTURING SERVICES AGREEMENT  
AND APPROVAL OF PRIOR TRANSACTIONS OF SALE OF RAW  
MATERIAL BY RISCO TO COMPANY MANUFACTURERS.**

The Board has recommended amending the Manufacturing Services Agreement signed between the Company and Risco on August 2010 by way of adding an option that at Company's discretion, Risco will supply raw materials to Company's manufacturers only if such action is economically justifiable and improves the Company's situation; and approving prior transactions of sale of raw material by Risco to Company manufacturers in an amount of US\$2.9M that comply with the above terms.

It is proposed that at the Meeting, the following resolution be adopted:

**3 "RESOLVED**, to amend the Manufacturing Services Agreement by way of adding an option that at Company's discretion, Risco will supply raw materials to Company's manufacturers only if such action is economically justifiable and improves the Company's situation; and to approve prior transactions of sale of raw material by Risco to Company manufacturers in an amount of US\$2.9M."

By Order of the Board of Directors,

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Mr. Moshe Alkelai  
Chairman of the Board  
Dated: September 4, 2011

Attachment A

**Electronics Line 3000 Ltd.**

**Ownership Certificate**

**Company Name: Electronics Line 3000 Ltd.**

**Company Registration Number: 51-3342535**

**We, the undersigned, hereby certify, as of September 12, 2011, as follows:**

**Details of Shareholder:**

(If there are several joint owners of the shares, their details should all be included)

(1) Name of shareholder \_\_\_\_\_

(2) Nationality of shareholder \_\_\_\_\_

(3) I.D. No. \_\_\_\_\_

If shareholder does not hold an Israeli I.D. –

Passport No. \_\_\_\_\_ The Country of issuance \_\_\_\_\_

If shareholder is a corporation –

Corporate identity number \_\_\_\_\_

Country of incorporation \_\_\_\_\_

**Details on the Shares:**

(4) Name of the security – Ordinary Share;

Par value – N.I.S 5.00;

ISIN code – IL 0010905052

(5) Number of Share - \_\_\_\_\_

(6) Type of Shares: Ordinary

**Approval by the recognized financial institution:**

By: \_\_\_\_\_

Date: \_\_\_\_\_

