

# TEFRON LTD

(The "Company")

January 29, 2019

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

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

Dear Sir\Madam

## **Re: An Immediate Report Concerning the Convening of an Extraordinary General Meeting**

In accordance with the Companies Law, 1999 (hereinafter: the "**Law**" or the "**Companies Law**"), in accordance with the Securities Regulations (Immediate and Periodic Reports), 1970, and in accordance with the Securities Regulations (a Transaction between a Company and a Controlling Shareholder Therein), 2001 (hereinafter: "**Regulations of a Transaction with a Controlling Shareholder**"), a notice is hereby given concerning the convening of an *Extraordinary* General Meeting of the Company, which is going to be held on Wednesday, March 6, 2019, at 12:00 a.m. (local time) at the offices of the Company's representatives, M. Firon & Co., Law Offices, located at 2 Ha'shlosha St., 360 Adgar Building, floor 19, Tel Aviv.

### **General**

Following the decision of the Remuneration Committee and the Board of Directors of the Company from their meeting on January 16, 2019, a renewal of a grant of a letter of indemnity to Mr. Ben Lieberman, Company's director and CEO, and Mr. Martin Lieberman, Company's director, who are the controlling shareholders of the Company ("**Messrs. Lieberman**"), is brought for the approval of the General Meeting, in the text and form attached as **Appendix A** to this report, effective as of February 11, 2019 (the date of expiration of the current letter of indemnity) (the "**Transaction**").

### **Part A – Renewal of the Letter of Indemnity granted to Messrs. Lieberman**

#### 1. A detailed description of the principles of the Engagement:

- 1.1 Pursuant to the resolutions of the General Meeting of the Company from time to time, the Company grants to all of the directors and officers of the Company, as they may be from time to time, Letters of Indemnity in the text and form as updated from time to time, and lastly on September 22, 2011 (the "**Letter of Indemnity**"). It should be noted that according to the decision of the General Meeting of the shareholders of the

Company dated August 7, 2007, exemptions are no longer granted to directors and officers, but only indemnity.

1.2 On August 12, 2015, Messrs. Lieberman were appointed to serve as directors of the Company. The Remuneration Committee and the Board of Directors of the Company approved the granting of Letters of Indemnity to Messrs. Lieberman, and the General Meeting of the Company approved the granting of the Letters of Indemnity to Messrs. Lieberman on February 11, 2016.

1.3 On June 19, 2017 Mr. Ben Lieberman was appointed to serve as the CEO of the Company, while continuing to serve also as a director.

1.4 In view of the fact that Messrs. Lieberman are the controlling shareholders of the Company, and in view of the fact that pursuant to the provisions of Section 275 (a1) (1) of the Companies Law, a transaction with a controlling shareholder as stated in Section 270(4) of the Companies Law requires approval once every three years, the validity of the Letters of Indemnity to Messrs. Lieberman as aforesaid is presented for the approval of the General Meeting.

2. For details regarding the terms of service of Mr. Ben Lieberman as CEO of the Company, see the immediate report for the convening of a General Meeting published by the Company on June 28, 2017, reference no. 2017-01-054469. It should be noted that Mr. Ben Lieberman is not entitled to additional compensation by virtue of his position as a director in the Company.

Mr. Martin Lieberman is paid the same remuneration paid to other directors of the Company<sup>1</sup>, which is the remuneration detailed in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000, to a company of the rank of the Company.

3. The controlling shareholders of the Company, the nature of their personal interest thereof and a description of their holdings in the Company

The controlling shareholder of the Company is Litef Holdings Inc., a private company incorporated in Canada, which is controlled by Messrs. Lieberman, in equal shares (hereinafter: "**Litef**"). Litef has a personal interest in the renewal of the Letters of Indemnity to Messrs. Lieberman, since it is controlled by Messrs. Lieberman who are the beneficiaries of the said Letters of Indemnity.

---

<sup>1</sup> Except for Mr. Ben Lieberman, who is not entitled to directors' compensation under the terms of the management agreement with him as stated in this report above, and excluding Mr. Arnon Tiberg, the Chairman of the Board of Directors, who is entitled to management fees in accordance with the terms of the management agreement with him.

Following are details of Litef's holdings in the Company's voting rights and issued and paid share capital of the Company:

The Shareholder	Amount and Percentage of Holding in the Company's Capital and Voting Rights therein			Amount and Percentage of Holding in the Company's Capital and Voting Rights therein on a Fully Diluted Basis <sup>2</sup>		
	Amount	Capital	Voting	Amount	Capital	Voting
<b>Litef Holdings Inc.</b>	7,198,361	60.14%	60.64%	7,198,361	58.12%	58.59%

4. The consideration and the manner in which it was determined

The granting of the Letter of Indemnity constitutes a customary part of the terms for the service of Messrs. Lieberman, and its text and form are identical to the Letter of Indemnity the Company grants the other directors and officers of the Company, as detailed in Clause 1 above.

5. Approvals required for the completion of the engagement

To validate the transactions described in this report, the following approvals are required:  
A. Approval of the Company's Remuneration Committee, which was given at its meeting on January 16, 2019.

B. Approval of the Company's Board of Directors, which was given at its meeting on January 16, 2019.

C. Approval of the general meeting of shareholders of the Company, which is scheduled to convene for this purpose on March 6, 2019, as detailed in this report.

6. Transaction of the same type as the Transaction transactions which are similar thereto in the last 2 years or which are still in effect

A. On August 3, 2017, the general meeting of the Company approved the Company's engagement in a management agreement with Mr. Ben Lieberman as CEO of the Company for a period of three years commencing on June 19, 2017.

---

<sup>2</sup> Assuming the exercise of all options issued in the Company as of the date of this report to shares.

B. On May 4, 2017, the general meeting of the Company approved the Company's agreement to receive management services from Mr. Ben Lieberman as Interim CEO of the Company. This agreement expired when he assumed the position of CEO of the Company.  
C. On February 11, 2016, the general meeting of the Company approved the granting of the Letter of Indemnity to Messrs. Lieberman.

7. The names of the Company's directors who may be considered as having a personal interest in the Transaction and the nature thereof

Directors Messrs. Lieberman have a personal interest in the Transaction due to the fact they are the beneficiaries of the Transaction.

8. The names of the directors who have participated in the meetings of the Remuneration Committee and the Board of Directors

8.1 The following Messrs. participated in the Remuneration Committee's meeting dated January 16, 2019: Aviram Lahav (external director) and Bruria Sofrin (external director).

8.2 The following Messrs. participated in the meeting of the Board of Directors dated January 16, 2019: Arnon Tiberg (Chairman of the Board), Aviram Lahav (external director) and Bruria Sofrin (external director).

9. The summary of the Remuneration Committee's and the Board's reasons for approving the Engagement

9.1 The grant of Letters of Indemnity to officers is customary in the Company, as well as in other public companies, and is according to the Company's remuneration policy.

9.2 As at the date of this report, Letters of Indemnity have been issued to the Company's directors and officers, which continue to apply to directors and officers who are not controlling shareholders of the Company. It is fair and reasonable that the Letters of Indemnity will apply, on identical terms, also to directors and officers who are controlling shareholders of the Company

**Part B – Convening of an Extraordinary General Meeting**

10. Convening of an Extraordinary General Meeting and the date thereof

A notice is hereby given concerning the convening of an Extraordinary General Meeting of the shareholders of the Company, which will be held on Wednesday, March 6, 2019, at 12:00 a.m. (local time) at the offices of the Company's representatives, M. Firon & Co., Law Offices, located at 2 Ha'shlosha St., 360 Adgar Building, floor 19, Tel Aviv

11. The Proposed Resolution

To approve the renewal of the Letters of Indemnity granted to Messrs. Lieberman in the text and form attached as Appendix A to this report, effective as of February 11, 2019.

12. The required majority

The required majority in the General Meeting for the purpose of approving the resolution on the Meeting's agenda, is an ordinary majority of the shareholders attending the voting, except for abstaining votes, and as long as one of the following is fulfilled: (a) Counting the majority votes at the General Meeting will include at least a majority of all the votes of the shareholders attending the Meeting who are not controlling shareholders of the Company or do not have a personal interest in the approval of the remuneration, who take part in the voting; counting the total of the votes of the aforementioned shareholders, abstaining votes would not be taken into consideration; (b) The total opposing votes from among the shareholders referred to in Sub-Clause (a) above, shall not be greater than two percent of the total voting rights in the Company.

Accordingly, the rate of holdings of the controlling shareholders in the Company's shares will not confer upon the controlling shareholders the majority required for a decision in the draft resolution on the agenda.

13. Quorum and deferred meeting

The quorum for opening the discussion at the General Meeting is two (2) shareholders or more (whose shares have been fully paid) attending the Meeting in person or via a proxy or via a voting card, per item, and holding at least twenty five (25%) of the voting rights in the Company.

If half an hour has passed from the time that was scheduled for the Meeting and a quorum hasn't been established, the Meeting shall be deferred for the exact same day of the week and hour in the forthcoming week, or to a different day, hour and place as determined by the Chairman of the Meeting, with the agreement of the majority of the shareholders with voting rights attending themselves or via a proxy or via a voting card, and voting in the matter of the date of the postponed meeting. The Company shall announce the deferral of the Meeting and its date by an immediate report. The quorum in the postponed Meeting shall be two (2) shareholders attending in person or via a proxy or via a voting card, per item, and holding at least twenty five (25%) of the voting rights in the Company.

14. The record date for determining the eligibility of the shareholders to participate and vote at the General Meeting

The record date for determining the eligibility of a shareholder in the Company to participate and vote at the General Meeting, is the end of the trade day on Tuesday, February 5, 2019 (hereinafter: the “**Record Date**”).

If you are an owner of an “American Share”, meaning: a Company’s share that is not an “Israeli Share”, as this term is defined as follows, in order to vote at the Meeting, please see the voting instructions detailed on the voting card which can be found on the Company’s internet site whose address is: [www.tefron.com](http://www.tefron.com).

“An Israeli Share”- A Company’s share that fulfills one of the following: (a) The share is registered in the Company’s Israeli shareholder register (for the purpose of clarity, a Company’s share which is registered in the Company’s American shareholder register, that is managed by the American Stock Transfer & Trust Company, is not “an Israeli Share”); or (b) The share is registered in favor of the shareholder pursuant to Section 177(1) of the Companies Law, meaning, the share is registered with a member of the Stock Exchange (Tel Aviv Stock Exchange Ltd.) and the aforesaid share is included in the shares registered on the Company’s Israeli shareholder register in the name of the Registration Company of Bank Hapoalim Ltd. (hereinafter: “**Unregistered Shareholder**”).

## 15. The Manner of Voting

The Shareholders are entitled to vote regarding the resolutions which is on the Meeting’s agenda, in person or via a proxy and via a voting card as defined in Section 87 of the Law, and whose format is attached to this Immediate Report (the “**Voting Card**”). In addition, an Unregistered Shareholder is also entitled to vote via an electronic voting card that will be transferred to the Company through the electronic voting system at the address <http://votes.isa.gov.il>, which operates according to Article Two of Chapter Seven “B” of the Securities Law, 1968 (“**Electronic Voting**”, “**Electronic Voting System**” and “**Electronic Voting Card**”, respectively).

### 15.1 A proxy to the voting

A shareholder is entitled to appoint a proxy to vote in his place, who is not necessarily a shareholder of the Company. The appointment document regarding the appointment of the proxy must be conducted in accordance with the Company’s regulations. The appointment document must be delivered to the Chairman of the Meeting or to the Company’s offices (to the CFO of the Company, Mr. Eliezer Parnafes), while making sure the aforementioned appointment document would arrive to the Company’s offices at least two hours prior to the convening of the Meeting. The Chairman of the Meeting shall have the authority to receive appointment documents which shall be delivered even after the aforementioned appointed time and till the beginning of the Meeting.

## 15.2 Proof of ownership

An Unregistered Shareholder shall be entitled to attend the General Meeting only if he provides the Company, prior to the General Meeting, with an original proof of ownership from the member of the Stock Exchange with whom his right to the share is registered, regarding his ownership of the Company's shares on the Record Date, in accordance with the form in the Schedule to the Companies Regulations (Proof of Ownership of a Share for Voting at a General Meeting), 2000 ("**Proof of Ownership**") or alternatively by sending the Company a Proof of Ownership through the Electronic Voting System, in this matter, it shall be noted that an electronic message approved in accordance with Section 44k5 of the Securities Law concerning the Electronic Voting System's user data – shall be viewed as a Proof of Ownership for each shareholder included therein.

An Unregistered Shareholder is entitled to receive the Proof of Ownership from the member of the Stock Exchange through whom he holds his shares, at the branch of the member of the Stock Exchange or by mail to his address, paying only the postage fees, if he has asked for it. A request in this matter would be given in advance for a specific securities account.

Furthermore, an Unregistered Shareholder may give instructions that his Proof of Ownership shall be delivered to the Company through the Electronic Voting System.

## 15.3 Voting in writing via a Voting Card and position statements

A shareholder is entitled to vote regarding the resolution which is on the Meeting's agenda, via a Voting Card. For this purpose, the vote of a shareholder who has voted via a Voting Card shall be considered as if the shareholder was present and participated in the Meeting. Voting via a Voting Card, in regard to a shareholder seeking to vote via a Voting Card *in lieu* of participating in the Meeting in person or via a proxy, shall be carried out by means of using the second part of the Voting Card which is attached to this report.

The addresses of the websites of the Securities Authority and the Tel Aviv Stock Exchange Ltd. in which you can find the format of the Voting Card and the position statements, within their meaning in Section 88 of the Companies Law, are: the ISA distribution site <http://www.magna.isa.gov.il> (hereinafter the "**Distribution Site**"); and the website of the Tel Aviv Stock Exchange Ltd. <http://maya.tase.il>. The shareholders are entitled to approach the Company directly and receive from it the Voting Card and the position statements.

A Stock Exchange member shall sent via email, without consideration, a link to the Voting Card and position statements on the Distribution Site, to every shareholder who is an Unregistered Shareholder and whose shares are listed with the said Stock Exchange member, unless the shareholder has notified the Stock Exchange member that he is not interested in receiving such a link, as long as the notification has been given in regards of a specific securities account and on a date prior to the Record Date or that he is interested in receiving voting cards in the mail, for a certain fee.

The Voting Card and the documents required to be attached to it as detailed in the Voting Card, must be delivered to the Company's offices (along with the proof of ownership) up to 4 hours prior to the time appointed for the convening of the Meeting. For this purpose, the date of delivery is the final date on which the Voting Card and the documents required to be attached to it, reached the Company's offices.

Furthermore, an Unregistered Shareholder is entitled to deliver the proof of ownership through the Electronic Voting System, as detailed in Sub-Clause 15.2 above.

The last date for delivering the position statements is up to 10 days prior to the convening of the Meeting, meaning until February 24, 2019.

A Voting Card that no proof of ownership has been attached to it (or, alternatively, the proof of ownership has not been delivered through the Electronic Voting System) shall be considered null and void.

#### 15.4 Electronic Voting Card

As aforementioned, an Unregistered Shareholder is also entitled to vote through the Electronic Voting System. Voting via an Electronic Voting Card shall be allowed up to six hours prior to the convening of the General Meeting (or until an earlier date which shall be determined by the Securities Authority, as long as it is less than 12 hours prior to the convening of the Meeting) (the "**System Lock Date**") the Electronic Voting may be changed or canceled until the System Lock Date and no one shall be able to change it through the system after this date.

#### 15.5 General provisions

A shareholder may contact the Company's registered office and once he has proved his identity, he may draw his Voting Card and proof of ownership up to 24 hours prior to the date of the convening of the Meeting.

It should be noted that in accordance with Section 83(d) of the Companies Law, if a shareholder has voted in more ways than one, the later vote shall be counted, while

concerning this matter a vote of a shareholder in person or via a proxy shall be considered as a later vote to the vote submitted through the Electronic Voting System.

- 15.6 One shareholder or more who is a holder of shares representing five percent or more of the total voting rights in the Company, and anyone holding such percentage of voting as aforesaid of the total voting rights that are not held by the Company's controlling shareholder is entitled, after the convening of the General Meeting, to review through the Electronic Voting System the Voting Cards and records of voting that have been submitted to the Company, as detailed in Article 10 of the Companies Regulations (Voting in Writing and Position Statements), 2005.

#### 16. Authority of ISA

In accordance with the provisions of Regulation 10 of the Transaction Regulations, within 21 days from the date of filing the Transaction Report, the Securities Authority may instruct the Company to provide, within a specified time, an explanation, description, knowledges and documents concerning the Transaction, as well as instruct the Company to amend the report in a manner and on a date to be determined by ISA.

If an instruction is given to amend the said transaction report, the Securities Authority may order that the date of the general meeting be postponed to a date that will not take place before three business days and no later than twenty-one days from the date of publication of the amendment to the transaction report.

#### 17. Adding an item to the agenda

A shareholder, one or more, who holds at least one percent of the voting rights at the General Meeting, may ask the Board, up to 7 days after the date of the convening of the Meeting, to include an item on the agenda of the General Meeting provided that the item is an appropriate item to be discussed at the General Meeting. In such a case the Company shall publish an amended Voting Card together with an amended immediate report and this no later than seven days after the last date for submitting a shareholder's request for adding an item to the agenda, as stated above.

#### 18. Reviewing the Documents

A copy of this Immediate Report together with the addendums thereto shall be made available for review at the Company's offices Sunday to Thursday during normal working hours, after prior arrangement by telephone: 04-9900881; and this until the date of the convening of the Meeting, as well as on the Securities Authority's website at the address: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

19. The Company's representative for handling the Immediate Report

The Company's representative for handling this Immediate Report is Advocate Itzhak Blau of M. Firon & Co., Law Offices, located at 2 Ha'shlosa St., 360 Adgar Building, floor 19, Tel Aviv, Tel: 03-7540032; Fax: 03-7540011.

Respectfully,

**Tefron Ltd.**

Signed by:

Mr. Arnon Tiberg, Chairman

Mr. Eliezer Parnafes, CFO

Appendix A

Format of the Letter of Indemnity

**Tefron Ltd.**

**(the “Company”)**

**On** \_\_\_\_\_, \_\_\_\_\_

**To**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Dear Sir\Madam,**

**Re: Letter of Indemnity**

**Whereas** on February 18, 2002, and on June 9, 2002, the Board of Directors of Tefron Ltd. (hereinafter: the “**Company**”), resolved, after obtaining the approval of the Audit Committee of the Company on December 23, 2001, to approve the granting of an advance exemption from liability and an advance commitment for indemnification by the Company to the directors and other officers of the Company (hereinafter jointly: the “**Officers**”), pursuant to the provisions of this Letter of Exemption and Indemnity;

**And whereas** on August 5, 2002, the General Meeting of the Company approved the aforesaid resolution and accordingly granted Letters of Indemnity as aforesaid;

**And whereas** Further to Amendment No. 3 to the Companies Law, 1999 (hereinafter: the “**Companies Law**”), including with respect to indemnity for Officers, the Company’s Board of Directors resolved on May 7, 2007, after obtaining the approval of the Audit Committee of the Company on May 6, 2007, to approve the Company’s commitment for indemnification to the Company’s Officers, in accordance with the Companies Law, as amended as aforementioned, and to the terms of indemnification set forth in this Letter of Indemnity, without detracting from and/or affect the validity of the pervious resolutions and the existing Letters of Indemnity, and in addition to those, and all subject to any applicable law;

**And whereas** on August 7, 2007, the General Meeting of the Company approved the new resolution with respect to the directors of the Company;

**And whereas** on August 16, 2011, the Board of Directors of the Company resolved, after obtaining the approval of the Audit Committee of the Company on August 11, 2011, to approve the commitment of the Company to update the Letters of Indemnity for the Officers for the purpose of adjusting them to the provisions of the Increased Efficiency of the Israel Securities Authority Enforcement Procedures (Legislative Amendments) Law – 2011(hereinafter: “**Administrative Enforcement law**”) (including the indirect amendment to the Companies Law, as described in Section 4(11) of the Administrative Enforcement Law) so they would enable the granting of indemnification and insurance to the maximum extent permitted by law;

**And whereas** on September 22, 2011, the General Meeting of the Company also approved the aforesaid resolution of the Board of Directors with respect to the Officers of the Company;

**And whereas** on \_\_\_\_\_you were appointed to serve as an Officer of the Company;

**Therefore the Company hereby agrees to and undertakes as follows:**

1. 1.1 Cancelled
- 1.2 Subject to the provisions of any law, as may they be from time to time, the Company shall indemnify you for any liability or expense as set forth in section 2 as follows, imposed on you as a result of one or more of the following:
  - (a) Your actions by virtue of your position as an Officer of the Company;
  - (b) Your actions by virtue of, according to the Company’s request, your position as an Officer of any other company (hereinafter: “**Other Company**”);
2. The undertaking of indemnity as foresaid in Clause 1.2 above shall apply in regards with any liability or expense, which is identifiable according to the law, as detailed as follows:
  - 2.1 Monetary liability imposed on you or incurred by you in favor of another person under a judgment, including a judgment granted in the case of a settlement or an arbitral award approved by the court, provided that these actions were associated with one or more of the events set forth in the

Schedule to this Letter of Indemnity (hereinafter: the “**Determining Events**”), or any matter related, directly or indirectly, with these Determining Events, which, in the opinion of the Board of Directors are anticipated in light of the actual activities of the Company as of the date of this letter, provided that the maximum amount of such indemnity does not exceed the amount set forth in Clause 3 below;

- 2.2 Reasonable litigation fees, including attorney fees, that the Officer incurred or was charged by a court, in a proceeding filed against you by the Company or Another Company, as the case may be, or in the name of either of the aforesaid or by any other person or under a criminal charge from which you are exonerated, or under a criminal charge of which you are convicted of an offence that does not require proof of criminal intent.
  - 2.3 Reasonable litigation fees, including attorney fees, expended in connection with an investigation or proceeding against you by an authority authorized to conduct an investigation or a proceeding, and that was concluded without submitting an indictment against you and without the imposition of any monetary liability on you in lieu of criminal proceedings or that was concluded without submitting an indictment against you however by the imposition of monetary liability in lieu of criminal proceedings in an offence that does not require proof of criminal intent, or in connection with a monetary sanction; as these terms are defined in the Companies Law.
  - 2.4 A payment to an injured party by the breach in an administrative procedure as set forth in Section 52(54)(a)(1)(a) to the Securities Law, 1967 (hereinafter: “**Securities Law**”).
  - 2.5 Expenses incurred in connection with an administrative procedure that was conducted with respect to your matters, including reasonable litigation fees and reasonable attorney fees.
3. The total aggregate amount of indemnity to be paid by the Company under Section 2.1 of all the Letters of Indemnity to be issued by the Company to the Officers of the Company, together with the total aggregate amount of indemnity to be paid by the Company under all the Letters of Indemnity the Company has already issued to Officers in the past, shall not exceed an amount equal to 25% (twenty five percent) of the Company’s shareholders’ equity according to the Company’s most recent consolidated financial statements prior to such date of the actual payment of the indemnity by the Company (hereinafter: the “**Maximum Amount of Indemnity**”).

The Company's Board of Directors has determined that the Maximum Amount of Indemnity is reasonable under the circumstances.

If and to the extent that the total amounts of indemnity that the Company shall be required to pay at any time whatsoever, plus the total of all the amounts of indemnity paid by the Company until such date, shall exceed the Maximum Amount of Indemnity, the amount of Indemnity or the balance thereof, as the case may be, shall be distributed among the Officers of the Company entitled to the aforesaid amounts of indemnity for demands which they submitted to the Company under the said Letters of Indemnity and have yet to be paid to them prior to the aforesaid date, in such a manner that the amount of indemnity to be actually received by each of the aforesaid Officers, shall be calculated according to the ratio between the amount of indemnity owed to each of the Officers and the aggregate amount of indemnity owed to the aforesaid Officers on that date for these demands.

4. Upon the occurrence of any incident by virtue of which you might be entitled for indemnity according to the aforesaid, the Company shall provide you, from time to time, with the funds required to cover the expenses and various other payments incidental to handling each of the proceedings against you in connection with the incident in question in such a manner that you shall not be required to pay or finance them yourself, and all subject to the terms and conditions specified in this Letter of Indemnity.
5. Without derogating from the foregoing, the indemnification under this Letter of Indemnity is subject to the following conditions:
  - 5.1 You shall notify the Company of any legal proceeding conducted against you or any suspicion or threat of any such proceeding might be conducted against you in connection with any incident in respect of which the indemnity is likely to apply, and this reasonably promptly after you have become aware of it for the first time, and you shall submit to the Company, or to whomever it shall instruct you, any document in connection with the proceeding, that was delivered to you by the person initiating the proceeding or any person acting on behalf thereof.
  - 5.2 The Company shall be entitled to take upon itself the care for your legal defense in any such proceeding and/or to hand your defense over to any attorney whom the Company chooses for this purpose, taking into consideration the obligations of the Company under the policy and the possibility of appointing an attorney on behalf of the insurer (apart from any

attorney who is not acceptable to you on reasonable grounds). The Company and/or the aforesaid attorney shall act, within the scope of handling your defense, for the purpose of bringing about the termination of the aforesaid proceeding; the attorney appointed by the Company as aforesaid, shall act and owe a fiduciary obligation to you and the Company. In the event of any conflict of interests between you and the Company in your defense against the proceeding in question, you may hire your own attorney to act on your behalf in handling your defense and the provisions of this Letter of Indemnity shall apply to your expenses for the aforesaid appointment. The Company may not bring about the termination of the aforesaid proceeding by any settlement that shall require you to pay for any amount for which you shall not be indemnified by the Company or within the scope of the policy, except with your prior written consent thereto, provided however that you shall not refuse to grant such consent due to unreasonable grounds. At the request of the Company you shall sign any document authorizing the Company, and/or any attorney as aforesaid, to handle your defense on your behalf at the proceeding in question and represent you in any matter in connection therewith, as aforementioned.

You shall cooperate with the Company and/or any such aforesaid attorney in any reasonable manner required from you by any of the aforesaid persons within the scope of handling your defense in connection with the legal proceeding in question, provided however that the Company shall cover all your expenses incidental thereto so that you shall not be required to pay or finance such expenses yourself, and this subject to the provisions of Clause 3 above. The Company shall release you from the aforesaid obligation to cooperate whenever it is likely to harm your defense in any legal proceeding against you, provided however that this is approved by a committee of the Board of Directors of the Company, which should include at least one external director among its members.

- 5.3 Whether or not the Company acts according to the provisions of Clause 5.2 above, it shall take care to cover the liabilities and expenses stated in Clause 2 above, so that you shall not be required to pay or finance the aforesaid yourself, and this without it derogating from the indemnity promised to you under the provisions of this Letter of Indemnity, and all subject to the aforesaid in Clause 3 above.
- 5.4 The indemnification in connection with any legal proceeding whatsoever against you, as stated in this Letter of Indemnity, shall not be effective in

respect of any amount owed by you in regards with any settlement or arbitration, unless the Company has given its written consent to any such settlement or any such arbitration, as the case may be.

- 5.5 The Company shall not be required to pay under this Letter of Indemnity amounts for any incident whatsoever as long as you are entitled to such amounts or the aforesaid amounts have been actually paid to you, or on your behalf or in your place in any manner whatsoever within the scope of any other indemnity or undertaking to indemnify by any other person apart from the Company, including any insurer. In this regard it shall be clarified that any amount of deductible applying to you under the aforesaid policy terms shall not be deemed an amount actually paid.
- 5.6 Upon your request to carry out a payment in connection with any incident whatsoever under this Letter of Indemnity, the Company shall take any actions necessary under the provisions of any law for payment thereof and shall act to arrange any approval required therewith, if required. Should any such approval be required for such payment and such payment is not approved in accordance therewith, for any reason whatsoever, such payment or any part thereof not approved as aforesaid, shall be subject to the approval of the court and the Company shall act to obtain such approval.
- 5.7 In the event the Company pays you or on your behalf any amounts within the scope of this Letter of Indemnity in connection with an aforesaid legal proceeding, and afterwards it shall become apparent that you were not entitled to indemnification from the Company for the amounts in question, these amounts shall be deemed a loan granted to you by the Company, which shall bear interest at the minimum rate determined from time to time under the law, so it shall not constitute as a taxable benefit for the person receiving such a loan, and you shall be required to repay the above amounts to the Company when requested to do so in writing by the Company and according to the payment schedule determined by the Company.
- 5.8 Should the Company pay you any amount by virtue of this Letter of Indemnity and afterwards the liability for which the amount had been paid should be canceled or the amount thereof would be decreased for any reason whatsoever, you shall assign to the Company your entire rights to repayment of the amount from the plaintiff in the proceeding and you shall do your utmost to make this assignment valid so that the Company would be able to realize the assignment. After acting in such a manner you shall be exempt from repayment of the amount for which the right of repayment was

assigned. Should you fail to do so - you shall be required to repay the amount or any part thereof, as the case may be, to the Company, plus linkage differentials, at the rates and for the period according to which you are entitled to the repayment of the amount by the plaintiff.

6. The undertakings of the Company under this Letter of Indemnity shall also remain available to you after the termination of your position as Officer of the Company, provided however that the acts for which the indemnification to be granted have been carried out during your term in office as Officer of the Company, whether before the date on which this Letter of Indemnity was granted to you or afterwards. The undertakings of the Company under this Letter of Indemnity shall also remain available to your estate, heirs and other successors under the provisions of any law.

7. In this Letter of Indemnity:

“**Administrative Procedure**” - A procedure pursuant to chapters H3 (Imposition of Monetary Sanction by the Israeli Securities Authority), H4 (Imposition of Administrative Enforcement Means by the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of Procedures, subject to conditions) to the Securities Law.

“**Officer**” - As defined in the Companies Law.

“**Action**” or any derivative thereof - Including any decision and/or omission (or any derivative thereof) and including your actions prior to the date of this Letter of Indemnity during your term in office as Officer of the Company.

The “**Policy**” - Policy for the insurance of liability of directors and officers that has been purchased or will be purchased by the Company, whether in the form of one or more than one policy.

8. The undertakings of the Company under this Letter of Indemnity shall be interpreted broadly and in the manner intended for the implementation thereof, as permitted according to the law and for the purpose for which they were intended. In the event of any contradiction between any provision in this Letter of Indemnity and any

provision of law which cannot be made contingent, amended or added to, the aforesaid provision of law shall prevail, but it shall not impair or derogate from the validity of the other provisions of this Letter of Indemnity.

9. This Letter of Indemnity shall not impair or derogate from the undertakings of the Company under any Letter of Indemnity given to you, if any, prior to the date of this letter, as long as the aforesaid undertakings remain legally effective. In the event that you shall be entitled to any amount of indemnification and you shall receive it in practice, under any previous Letter of Indemnity as aforementioned, you shall not be entitled to indemnification for the same amount under this Letter of Indemnity.
10. This Letter of Indemnity is not a contract in favor of any third party, including any insurer, and you may not assign this letter to any third party, nor would any insurer have the right to demand that the Company shall participate in any payment that the insurer is obligated to under an insurance agreement signed with him, other than the deductible fees fixed in such an insurance agreement.
11. Nothing in this Letter of Indemnity shall impair or derogate from any compensation, coverage and/or indemnification to which you will be entitled under any insurance policy, including with respect to events that are covered and/or will be covered by this Letter of Indemnity.
12. This Letter of Indemnity will be governed by the laws of Israel, and the authorized court of Tel Aviv shall have the exclusive jurisdiction with respect to disputes that may arise by the implementation of this agreement.
13. This Letter of Indemnity shall be subject to the provisions of any law.
14. This Letter of Indemnity shall become effective upon your signing on a copy thereof at the place designated for such purpose and the delivery of the aforesaid signed copy to the Company.

In witness whereof the Company has signed:

---

**Tefron Ltd.**

I hereby confirm the receipt of this Letter of Indemnity and consent to the terms thereof, including the provisions of Clause 5.7 above.

---

**Signature of the Officer**

## **The Schedule**

### **The Events**

1. Actions concerning investments (including investments not carried out) performed by the Company, a subsidiary or a related company (within their meaning in the Securities Law) in various corporations, either prior or after carrying out the investment, including engaging in any transaction, the performance thereof, the monitoring and supervision of the investment after carrying it out and any action performed by the Officer in connection therewith as a representative of the investor or as an Officer of the Company or the investor.
2. Issuance of securities (including an issuance of a security that has not been carried out), inclusive of, however without derogating from the generality of the aforesaid, a public offering of securities under a prospectus pursuant to a prospectus, a private offering or an offer of securities by any other means.
3. A transaction as defined in Section 1 of the Companies Law, including the receipt of credit, sale or purchase of assets or liabilities, including securities, or the grant or receipt of a right in each of the aforesaid, as well as an action directly or indirectly associated with the aforesaid transaction, including transactions with interested parties as defined in Chapter Five of the Companies Law.
4. A report or notification submitted pursuant to the Companies Law or the Securities Law, including regulations promulgated by virtue thereof, or under laws or regulations dealing with similar issues abroad, or under customary rules or guidelines of the Israeli Stock Exchange or in a commercial arena in Israel or abroad, and all including any failure to file any such report or notification.
5. Actions related to the terms of employment of employees, including employment contracts, negotiations towards such contracts, salary benefits and other employee benefits, handling of pension funds, mutual funds, insurance and savings plans, options and other employee benefits of any kind whatsoever.
6. Any action that has caused bodily injury, sickness, death, damage to property, including loss of use thereof.
7. Any action that has led to inadequate insurance arrangements.
8. Change in the Company's structure or the reorganization thereof or any resolution related thereto, including yet without derogating from the generality of the aforesaid, merger, split, change in the shareholders' equity of the Company, subsidiaries or related companies thereof, liquidation or sale thereof, issuance of any security whatsoever of the Company,

subsidiary or related company or carrying out any distribution (as defined in the Companies Law) or any tender offer by or in connection with any of the aforesaid.

9. Any expression, statement, including expression of a viewpoint or opinion made in good faith by the Officer in the course of and by virtue of his position, including within the course of general meetings or meetings of the Board of Directors of the Company, a subsidiary or a related company thereof or any committees of the committees of Board of Directors as aforesaid, as well as negotiations and engagements with suppliers, advisors and clients.
10. Claims submitted against an Officer in connection with the liquidation or receivership of the Company, a subsidiary or a related company.
11. Resolutions and/or actions related to environmental protection, including pollution, toxins and hazardous substances.
12. Actions or decisions related to the preparation or approval of financial statements, business plans or forecasts in connection with the Company, a subsidiary or a related company.
13. Granting of liens on the assets of the Company and granting guarantees on behalf of the Company.
14. Compliance with various authorities' requirements in Israel and outside Israel, including the Antitrust Authority, Securities Authority, the Ministry of Environment and Tax Authorities.
15. Establishment and management of the financial policy, including credit policies, hedging against devaluation and currency fluctuations and utilization of cash reserves.
16. Any action or decision relating to work safety and/or working conditions and/or employee activities and/or any event relating thereto.
17. Any action or decision relating to the preparation of work plans, including pricing, marketing, distribution and instructions to employees, to customers and to suppliers and cooperative arrangements, including with competitors.
18. Any action or decision relating to product development or relating to the conduct of product testing and the approval, sale, distribution or licensing thereof.
19. Any action or decision that may be considered as a breach of the intellectual property rights of a third party.
20. Submitting presentations and granting any undertaking to third parties or to the Company, a subsidiary or a related company or to any person acting on behalf thereof (including any consultants, such as auditors and attorneys, etc.).

21. Transfer of information required or permitted to be transferred under applicable law to interested parties of the Company.
22. Each of events detailed above, in connection with the term of service of the Officer in a subsidiary or a related company.
23. Any event and/or action with respect to which it is possible to indemnify under the Law of Increased Efficiency of the Israel Securities Authority Enforcement Procedures (Legislative Amendments), 2001.

In this Schedule:

“**Securities Law**” - the Securities Law, 1968.

“**Companies Law**” - the Companies Law, 1999.

“**Security**” – as defined in Section 1 of the Companies Law.