

LAPIS TECHNOLOGIES INC  
Form PRE 14C  
July 10, 2008

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14A-6(e)(2))
- Definitive Information Statement

Lapis Technologies, Inc.  
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- 1) Title of each class of securities to which transaction applies: Ordinary shares of Enertec Systems 2001 Ltd.
- 2) Aggregate number of securities to which transaction applies: 183,230
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): The filing fee was determined based on multiplying 0.0002 by \$1,095,000.
- 4) Proposed maximum aggregate value of transaction: \$1,095,000
- 5) Total fee paid: \$219

- Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid: \_\_\_\_\_
- 2) Form, Schedule or Registration Statement No.: \_\_\_\_\_
- 3) Filing Party: \_\_\_\_\_
- 4) Date Filed: \_\_\_\_\_

**Lapis Technologies, Inc.**  
**19 W. 34<sup>th</sup> Street, Suite 1008**  
**New York, NY 10001**

**NOTICE OF ACTION BY WRITTEN CONSENT OF STOCKHOLDERS**

NOTICE IS HEREBY GIVEN that the holders of more than a majority of the outstanding common stock of Lapis Technologies, Inc., a Delaware corporation, have approved the following actions without a meeting of stockholders in accordance with Section 228 of the Delaware General Corporation Law:

The approval of the sale of our subsidiary Enertec Electronics Ltd. and our controlling interest in our indirect subsidiary Enertec Systems 2001 Ltd.

The action will become effective on the 20<sup>th</sup> day after the definitive Information Statement is mailed to our stockholders.

The enclosed information statement contains information pertaining to the matters acted upon.

**WE ARE NOT ASKING YOU FOR A PROXY,  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

By order of the Board of  
Directors

Harry Mund  
Chairman, Chief Executive  
Officer

New York, NY  
[ ], 2008

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**Lapis Technologies, Inc.**  
**19 W. 34<sup>th</sup> Street, Suite 1008**  
**New York, NY 10001**

**INFORMATION STATEMENT**

**Action by Written Consent of Stockholders**

**GENERAL INFORMATION**

**WE ARE NOT ASKING YOU FOR A PROXY,  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

This information statement is being furnished in connection with the action by written consent of stockholders taken without a meeting of a proposal to approve the actions described in this information statement. We are mailing this information statement to our stockholders on or about [ ], 2008.

**What action was taken by written consent?**

We obtained stockholder consent for the approval of the sale of our subsidiary Enertec Electronics Ltd. and our controlling interest in our indirect subsidiary Enertec Systems 2001 Ltd.

**How many shares of common stock were outstanding on February 28, 2008?**

On February 28, 2008, the date we received the consent of the holders of more than a majority of the outstanding shares, there were 6,483,000 shares of common stock outstanding.

**What vote was obtained to approve the transactions described in this information statement?**

We obtained the approval of the holders of approximately 73.3% of our outstanding shares of common stock that were entitled to give such consent. Our chief executive officer, Harry Mund, owns 4,750,000 shares, or approximately 73.3% of our outstanding common stock.

**Who is paying the cost of this information statement?**

We will pay for preparing, printing and mailing this information statement. Our costs are estimated at approximately \$60,000.

**Sale of Enertec Electronics Ltd. and the Company's controlling interest in Enertec Systems 2001 Ltd.**

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### Summary Term Sheet

On February 28, 2008, Lapis Technologies, Inc. (the “Company”, “we”, or “our”) entered into: (i) an agreement for the issue and sale of shares in Lapis Technologies, Inc. and the transfer of shares of Star Night Technologies Ltd., a company traded on the Tel Aviv Stock Exchange (“Star Night”) to the Company (the “Lapis SPA”), with Harry Mund and Mordechai Solomon (the “Investor”); and (ii) an agreement with Mund Holdings Ltd., a company owned by Harry Mund for the sale of the entire issued and outstanding share capital of Enertec Electronics Ltd. (“Enertec Electronics”) (the “Electronics SPA”). In addition, on February 28, 2008, the Company’s indirect wholly owned subsidiary, Enertec Management Ltd. (“Enertec Management”) (which the Company owns through its direct wholly owned subsidiary Enertec Electronics), entered into an agreement for the sale and purchase of Enertec Systems 2001 Ltd. (“Enertec Systems”) (the “Systems SPA”, and collectively with the Lapis SPA and the Electronics SPA, the “Agreements”), with Harry Mund, and S.D.S. (Star Defense Systems) Ltd., a company traded on the Tel Aviv Stock Exchange (“S.D.S.”) whose majority stockholder is Star Night. Mr. Mund is the Company’s chief executive officer, director, and majority stockholder. Enertec Management’s sole asset is its 73% equity interest in Enertec Systems.

The Agreements will close (subject to the fulfillment or waiver of certain closing conditions, and the performance of certain covenants) concurrently 21 days following the date this Information Statement is mailed to stockholders of the Company (the “Closing Date”).

Upon the closing of the Agreements, Mr. Solomon will own 92% of the outstanding shares of common stock of the Company on a fully diluted basis. The Company will acquire an approximately 34% equity and voting interest in Star Night, which will become the Company’s sole asset. Enertec Systems will become a wholly owned subsidiary of S.D.S. As Star Night owns an approximately 83% equity interest in S.D.S., the Company will acquire an approximately 28% indirect equity interest in S.D.S., and the Company will retain an approximately 28% indirect equity interest in Enertec Systems (compared to approximately 73% prior to the closing of the Agreements). The Company will no longer have any interest in Enertec Electronics or Enertec Electronics’ wholly owned subsidiary, Enertec Management, which is a holding company and, upon the closing the Agreements, will have sold and transferred its sole asset, its 73% equity interest in Enertec Systems.

The Company will receive US \$250,000 (prior to payment of any applicable taxes) for the sale of Enertec Electronics. In addition, through the Company’s subsidiary Enertec Management, the Company will receive the consideration of US \$1,095,000 (prior to payment of any applicable tax) Enertec Management receives for the sale of the controlling interest in Enertec Systems.

In addition, pursuant to the Lapis SPA, the Investor agreed to grant to Mr. Mund an option to sell to the Investor, Mr. Mund’s 4,750,000 shares of the Company’s common stock, during a period of 65 calendar days during a period of 24 months following the Closing Date, subject to certain conditions set forth in the Lapis SPA.

The closing of the Agreements and the consummation of the transactions contemplated therein depends upon the fulfillment or waiver of certain conditions, including, *inter alia*, the following:

- Enertec Systems and Mr. Zvi Avni shall have entered into an employment agreement pursuant to which Mr. Avni will serve as chief executive officer of Enertec Systems Mr. Avni is the Chief Operating Officer of Enertec Systems, and owns 15.4% of the Company’s outstanding common shares.

· The approval of the Systems SPA by the shareholders of S.D.S.

In addition, the parties undertook to perform certain covenants prior to the Closing Date, including, *inter alia*, the receipt of fairness opinions in respect of the transactions contemplated by the Agreements. The requisite fairness opinions have been received and are included as Appendix B herein.

Subject to the fulfillment or waiver of the requisite conditions and covenants, the Agreements will close concurrently 21 days following the mailing of this information statement to Lapis's shareholders.

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### **Reason for the Transaction**

The Company, Enertec Management and Enertec Electronics entered into the respective Agreements within the framework of a reorganization (the “Reorganization”) for the following reasons: (i) to address the difficulties we currently encounter to: (a) finance future long-term projects; (b) develop new products; (c) enhance our existing products; and (d) obtain additional and/or alternative sources of credit and financing; (ii) to create a new holding company, whose subsidiaries will be active globally in the manufacturing of defense equipment and which will seek opportunities in the US and elsewhere to grow its business through acquisitions and otherwise; and (iii) to divest any business activities, which do not complement the business of the Company as expected to be carried out after the closing of the Agreements.

### **Risks**

Upon the closing of the Agreements, the Company’s only asset will be its 34% equity interest in Star Night. Accordingly, within a year following the closing of the Agreements, the Company may be deemed an “investment company” within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”) and subject to regulation under the 1940 Act.

After completion and consummation of the transactions contemplated under the Agreements and receipt of the proceeds thereunder, the Company intends to pursue possible acquisitions and/or investments of a strategic nature. In particular, the Company intends to exploit possible acquisitions of entities and businesses that are active in the same field or complementary to the business of the Company as it will be conducted following the completion and consummation of the transactions contemplated under the Agreements. The above plans may not be successful and we may not be able to grow our business in accordance with our plans.

### **Absence of Dissenters’ Rights of Appraisals**

Under the applicable provision of the Delaware General Corporation Law, the Company’s stockholders will have no rights in connection with the proposed transactions contemplated by the Agreements to seek appraisal for the fair value of their shares of common stock.

For a more detailed discussion of the Agreements and the transactions contemplated thereby please see “Approval of the Sale of Enertec Electronics Ltd. and a controlling interest in Enertec Systems 2001 Ltd.” below.

### **APPROVAL OF THE SALE OF ENERTEC ELECTRONICS LTD. AND A CONTROLLING INTEREST IN ENERTEC SYSTEMS 2001 LTD.**

#### **Proposed Transaction**

On February 28, 2008, Lapis Technologies, Inc. (the “Company”) entered into (i) an agreement for the issue and sale of shares in Lapis Technologies, Inc. and the transfer of shares of Star Night Technologies Ltd., a company traded on the Tel Aviv Stock Exchange (the “Lapis SPA”), with Harry Mund and Mordechai Solomon (the “Investor”); (ii) an agreement with Mund Holdings Ltd., a company owned by Harry Mund (the “Electronics SPA”). In addition, on February 28, 2008, the Company’s indirect wholly owned subsidiary, Enertec Management Ltd. (“Enertec Management”) (which the Company owns through its direct wholly owned subsidiary Enertec Electronics Ltd.), entered into an agreement for the sale and purchase of Enertec Systems 2001 Ltd. (the “Systems SPA”, and collectively with the Lapis SPA and the Electronics SPA, the “Agreements”), with Harry Mund, and S.D.S. (Star Defense Systems) Ltd., a company traded on the Tel Aviv Stock Exchange (“S.D.S.”) whose majority stockholder is Star Night Technologies Ltd. Mr. Mund is the Company’s chief executive officer, director, and majority stockholder.

The Agreements will close (subject to the fulfillment or fulfillment or waiver of certain closing conditions, and the performance of certain covenants) concurrently 21 days following the date this Information Statement is mailed to stockholders of the Company (the “Closing Date”).

Pursuant to the Lapis SPA, the Company agreed to sell, and the Investor agreed to purchase, 75,129,500 shares of the common stock of the Company, representing 92% of the Company’s issued and outstanding common stock on a fully diluted basis. The Investor agreed to transfer to the Company in consideration for the shares of the common stock of the Company, the Investor’s 4,539,557 shares in Star Night Technologies Ltd., (“Star Night”), a company traded on the Tel Aviv Stock Exchange, representing approximately 34% of Star Night’s issued and outstanding common stock.

In addition, pursuant to the Lapis SPA, the Investor agreed to grant to Mr. Mund an option (the “Mund Option”), exercisable by Mr. Mund in his sole discretion, to sell to the Investor, Mr. Mund’s 4,750,000 shares of the Company’s common stock (the “Option Shares”) subject to certain terms and conditions set forth in the Lapis SPA. The Mund Option will be exercisable during a period of 90 calendar days immediately following the first anniversary of the Closing Date (with respect to 50% of the Option Shares, at an exercise price of US \$0.5434 per share, subject to adjustment in the event of stock splits, stock dividends, and similar transactions) and/or the second anniversary of the Closing Date (with respect to all of the Option Shares, at an exercise price of US \$0.6038 per share, subject to adjustment in the event of stock splits, stock dividends, and similar transactions). The Mund Option is subject to the aggregate value of the Option Shares during the term the Mund Option can be exercised, being no higher than US \$2,868,000, subject to certain adjustments, for a period of 65 consecutive calendar days commencing 120 days after the Closing Date (so long as Mr. Mund may sell his shares pursuant to Rule 144 under the Securities Act of 1933, as amended, during a period of 65 consecutive calendar days during a period of 24 months following the Closing Date).

Pursuant to the Electronics SPA, the Company agreed to sell, and Mund Holdings Ltd. agreed to purchase all of the issued and outstanding shares capital of Enertec Electronics Ltd. (“Enertec Electronics”), being NIS (New Israeli Shekel) 100 divided into 100 shares of NIS 1 each, for a purchase price of US \$250,000.

Pursuant to the Systems SPA, Enertec Management and Mr. Mund agreed to sell, and S.D.S. agreed to purchase, on the Closing Date, an aggregate of 251,000 shares of Enertec Systems 2001 Ltd. (“Enertec Systems”), representing all of the issued and outstanding shares of Enertec Systems, for an aggregate purchase price of US \$1,500,000. The 251,000 shares to be sold pursuant to the Systems SPA represent 67,770 shares to be sold by Mr. Mund, representing 27% of the issued and outstanding shares of Enertec Systems, and 183,230 shares to be sold by Enertec Management, representing 73% of the issued and outstanding shares of Enertec Systems.

Upon the closing of the Agreements, Mr. Solomon will own 92% of the outstanding shares of common stock of the Company on a fully diluted basis. The Company will acquire an approximately 34% equity and voting interest in Star Night, which will become the Company’s sole asset. Systems will become a wholly owned subsidiary of S.D.S. As Star Night owns an approximately 83% equity interest in S.D.S., the Company, therefore, will indirectly acquire an approximately 28% indirect equity interest in S.D.S., and the Company will indirectly retain an approximately equity 28% indirect interest in Enertec Systems (compared to 73% prior to the closing of the Agreements). The Company will no longer have any interest in Enertec Electronics or Enertec Electronics’ wholly owned subsidiary, Enertec Management (which will have sold its sole asset, its indirect 73% equity interest in Enertec Systems).

The Company will receive US \$250,000 (prior to payment of any applicable taxes) for the sale of Enertec Electronics. In addition, through the Company’s subsidiary Enertec Management, the Company will receive the consideration of US \$1,095,000 (prior to payment of any applicable tax) Enertec Management receives for the sale of the controlling interest in Enertec Systems.

The closing of the Agreements and the consummation of the transactions contemplated therein depends upon the fulfillment or waiver of certain conditions, including, *inter alia*, the following:

- Enertec Systems and Mr. Zvi Avni shall have entered into an employment agreement pursuant to which Mr. Avni will serve as chief executive officer of Enertec Systems Mr. Avni is the Chief Operating Officer of Enertec Systems, and owns 15.4% of the Company’s outstanding common shares.

· The approval of the Systems SPA by the shareholders of S.D.S.



In addition, the parties undertook to perform certain covenants prior to the Closing Date, including, *inter alia*, the receipt of fairness opinions in respect of the transactions contemplated by the Agreements. The requisite fairness opinions have been received and are included as Appendix B herein.

Subject to the fulfillment or waiver of the requisite conditions and covenants, the Agreements will close concurrently 21 days following the mailing of this information statement to Lapis's shareholders.

### **Opinions of Jacob Eshed Tesuot Consultants**

Jacob Eshed Tesuot Consultants ("JET") rendered its opinions, as set forth in Appendix B to this Information Statement, as to the fairness, from a financial point of view, of (i) the consideration to be received for the sale of Enertec Systems under the Systems SPA (the "Systems Opinion"), and (ii) the consideration to be received for the issuance of 92% of the Company's outstanding shares under the Lapis SPA (the "Star Night Opinion"). Such opinions are based upon and subject to the matters referenced therein. JET received a fee of \$15,000 in connection with rendering its opinions.

Lapis solicited proposals for the issuance of the fairness opinions contemplated by the Systems SPA and the Lapis SPA from a number of persons and entities. Lapis selected JET to render the opinions on the basis of JET's history, qualifications, and experience in rendering fairness opinions. JET is a consulting and investment banking firm based in Israel, specializing in going concern valuations, which has provided consulting and investment banking services since 1980.

JET has not had any other relationship with Lapis and no relationship between Lapis and JET is contemplated.

In rendering the Systems Opinion, JET examined and considered all available information which JET deemed relevant, including:

- (i) Consolidated financial audited financial statements as of 31 December 2005, 2006 and 2007;
- (ii) Revenues forecast for 2008;
- (iii) Company background and activities (Word document provided by Lapis);
- (iv) the Systems SPA
- (v) Lapis's Form 10K-SB for the periods ended 31 December 2005, 2006 and 2007;
- (vi) Conversations and email exchanges with Mr. Harry Mund; and
- (vii) Lapis management's declaration that during the period from January 1, 2008 to the closing of the Systems SPA, no major change event occurred that might change the valuation.

In connection with the review conducted in preparing the Systems Opinion, JET relied upon and assumed the accuracy and completeness of the financial and other information furnished to JET by Lapis. JET did not undertake any independent verification of the accuracy or completeness of such information or any independent appraisal or evaluation of the assets or liabilities of Enertec Systems. JET did not solicit third parties who might be interested in making an investment in or acquiring Enertec Systems or all or any of its assets. The consideration to be received under the Systems SPA was determined by the parties thereto and not recommended or negotiated by JET.

JET did not receive any instructions from Lapis or Star Night concerning the methodology or results of the Systems Opinion. In addition, there were no limitations imposed upon JET by Lapis or Star Night with respect to the Systems Opinion.

In rendering the Systems Opinion, JET utilized the discounted cash flow approach, which derives the present value of a company from a future stream of free cash flows. JET concluded that the fair value of Enertec Systems is reasonably stated to be an average of \$1,511,000, and ranges from \$1,405,000 to \$1,616,000. Based upon the foregoing and such other factors as it deemed relevant, JET is of the opinion that the consideration to be received for the sale of Enertec

Systems under the Systems SPA (consisting of \$1,500,000, of which Lapis will receive \$1,095,000 and Harry Mund will receive \$405,000) is fair.

For further information relating to the matters considered, the basis for and methods of arriving at the Systems Opinion, and limitations on the scope of the Systems Opinion, see the full text of the Systems Opinion, attached as part of Appendix B.

In rendering the Star Night Opinion, JET examined and considered all available information which JET deemed relevant, including:

- (i) audited financial statements for Star Night as of December 31, 2007;
- (ii) data included in Star Night's periodic report;
- (iii) Star Night management's forecasts;
- (iv) audited financial statements for SDS as of December 31, 2007;
- (v) data included in SDS's periodic report;
- (vi) conversations with Star Night management; and
- (vii) draft financial statements of subsidiaries.

In addition, in rendering the Star Night Opinion, JET performed valuations of Star Night's subsidiaries SDS, New Noga Light (2000) Ltd., Night Light Ltd., Radom Aviation Systems Ltd. and Magam Safety Ltd.

In connection with the review conducted in preparing the Star Night Opinion, JET relied upon and assumed the accuracy and completeness of the financial and other information furnished to JET by Star Night. JET did not undertake any independent verification of the accuracy or completeness of such information or any independent appraisal or evaluation of the assets or liabilities of Star Night. JET did not solicit third parties who might be interested in making an investment in or acquiring Star Night or all or any of its assets. The consideration to be received under the Lapis SPA was determined by the parties thereto and not recommended or negotiated by JET.

JET did not receive any instructions from Lapis or Star Night concerning the methodology or results of the Star Night Opinion. In addition, there were no limitations imposed upon JET by Lapis or Star Night with respect to the Star Night Opinion.

In rendering the Star Night Opinion, JET utilized the discounted cash flow approach and concluded that the value of the consideration received for the issuance of 92% of the Company's outstanding shares under the Lapis SPA (consisting of 33.82% of Star Night's outstanding shares, transferred to Lapis by Mr. Moti Solomon), is equal to \$15,650,000, within the range of \$14,000,000 to \$17,000,000. Based upon the foregoing and such other factors as it deemed relevant, JET is of the opinion that the consideration to be received for the issuance of 92% of the Company's outstanding shares under the Lapis SPA is fair.

For further information relating to the matters considered, the basis for and methods of arriving at the Star Night Opinion, and limitations on the scope of the Star Night Opinion, see the full text of the Star Night Opinion, attached as part of Appendix B.

#### **Opinion of Neville Weitzman Consultants Ltd**

Neville Weitzman Consultants Ltd ("NWC") rendered its opinion, as to the fairness, from a financial point of view, of the consideration paid by Mund Holdings Ltd. for the acquisition of Enertec Electronics under the Electronics SPA (the "Electronics Opinion"). The Electronics Opinion is based upon and subject to the matters referenced therein. NWC received a fee of \$5,000 in connection with rendering the Electronics Opinion. A portion of the Electronics Opinion is included in Appendix B to this Information Statement.

NWC is a consulting and investment banking firm based in Israel. NWC was founded in 1995 and offers a range of venture marketing, economic analysis, and business development services.

NWC was initially introduced to Lapis by Lapis's auditor, and Lapis engaged NWC in 2006-2007 to provide a fairness opinion with respect to an Enertec Electronics transaction, for which NWC received a fee of \$5,750. NWC has not otherwise had any other relationship with Lapis and no relationship between Lapis and NWC is contemplated.

Lapis engaged NWC to render the Electronics Opinion on the basis of NWC's history, qualifications, and experience in rendering fairness opinions, and NWC's familiarity with Enertec Electronics from the prior engagement.

In rendering the Electronics Opinion, NWC examined and considered all available information which NWC deemed relevant, including:

- (i) audited financial statements of Enertec Electronics for the years ended December 31, 2005, 2006, and 2007;
- (ii) unaudited financial statements of Enertec Electronics for the three months ended March 31, 2008;
- (iii) financial forecasts of Enertec Electronics for the five years ending December 31, 2012;
- (iv) discussions with Mr. Harry Mund regarding future prospects of the Enertec Electronics business and explanations for certain items referred to in the financial statements; and
- (v) the Electronics SPA.

In connection with the review conducted in preparing the Electronics Opinion, NWC relied upon and assumed the accuracy and completeness of the financial and other information furnished to NWC by Lapis. NWC did not undertake any independent verification of the accuracy or completeness of such information or any independent appraisal or evaluation of the assets or liabilities of Enertec Electronics. NWC did not solicit third parties who might be interested in making an investment in or acquiring Enertec Electronics or all or any of its assets. The consideration to be received under the Electronics SPA was determined by the parties thereto and not recommended or negotiated by NWC.

NWC did not receive any instructions from Lapis concerning the methodology or results of the Electronics Opinion. In addition, there were no limitations imposed upon NWC by Lapis with respect to the Electronics Opinion.

In rendering the Electronics Opinion, NWC utilized two valuation methodologies, the income approach (or discounted cash flow method) and the cost approach, which is based on the premise that the book value or cost of an asset is equal to its fair market value. NWC concluded that the fair value of Enertec Electronics is equal to \$263,000, under the income approach, or \$245,000 based on the cost approach. Based upon the foregoing and such other factors as it deemed relevant, NWC is of the opinion that the consideration paid by Mund Holdings Ltd. for the acquisition of Enertec Electronics under the Electronics SPA (consisting of \$250,000) is fair.

For further information relating to the matters considered, the basis for and methods of arriving at the Systems Opinion, and limitations on the scope of the Systems Opinion, see the portion of the Systems Opinion, attached as part of Appendix B.

### **Background of the Transaction**

The Company was formed in Delaware on January 31, 2002. It conducts operations in Israel through the Company's wholly owned subsidiary Enertec Electronics, an Israeli corporation incorporated on December 31, 1991, and Enertec Systems, an Israeli corporation incorporated on August 28, 2001, of which the Company owns a 73% equity interest. The Company, through its subsidiaries, is a manufacturer and distributor of various military and airborne systems, simulators, automatic test equipment (ATE), electronic components and products relating to power supplies, converters and related power conversion products.

Our revenues are derived from two main sources, the military and the commercial markets. In the military market we design, develop and manufacture test systems, airborne, shipborne, land electronic equipment and other various military systems, for military manufacturers in accordance with their specifications. Most of this military business is carried out by Enertec Systems. In the commercial market we market and distribute test systems, power supplies and other electronic components manufactured by other manufacturers who engage us to distribute their products. This activity is carried out primarily by Enertec Electronics. We have entered into representative and distribution agreements with seven such manufacturers, four of which have been reduced to written contracts.

### **Our Subsidiaries**

In April 2002, we acquired all of the outstanding capital stock of Enertec Electronics. In this transaction, we acquired 99 ordinary shares of Enertec Electronics from Harry Mund, our president and chief executive officer, in exchange for 4,750,000 shares of our common stock. The common stock issued to Mr. Mund represented 86.6% of our outstanding common stock after the transaction.

Enertec Management, a private Israeli company, is a wholly owned subsidiary of Enertec Electronics.

Enertec Systems, a private Israeli company, is owned by Enertec Management (73%), and Harry Mund (27%). Enertec Systems commenced operations in January 1, 2002.

### **Enertec Electronics**

Enertec Electronics is responsible for:

- The marketing and distribution of power supplies and other related power products manufactured by third-party firms that engage Enertec Electronics to distribute their products; and
- The marketing and distribution of power supply testing equipment to our military and commercial customers.

Enertec Electronics' customers have products that require power supplies. Enertec Electronics is contacted by them with their specifications, and based on that data, Enertec Electronics provides a standard, or if necessary, a semi-custom or custom, power supply solution. Enertec Electronics' technical sales staff in Israel has a comprehensive understanding of Enertec Electronics' customers' product base, which allows Enertec Electronics to provide the most efficient power supply solution to its customers. Our and Enertec Electronics' professional marketing and sales teams include engineers who provide support to customers from the early stages of product definition and first sampling, through the production stages and up to after-sales support. Examples of products that require power supplies are computers, modems, printers, faxes, telephones, transmitter/receivers for commercial and military communications, radar, airborne infra-red cameras, surveillance equipment, telecom network routers, video-conference routers, cellular telephone transmitters/receivers, television on-routers, internet-routers, medical MRI scanners, x-ray equipment, robots, drivers for electric motors, and industrial control systems.

Enertec Electronics has also entered into representative or distribution agreements with various international power supply manufacturers. These manufacturers granted Enertec Electronics rights to sell their products in Israel. Enertec Electronics solicits sales within Israel and, upon receipt of purchase orders, Enertec Electronics contacts the supply manufacturers to fulfill such orders. With some of these manufactures Enertec Electronics has agreements that the supply manufacturers will not promote their products directly within Israel. Furthermore, if a customer contacts the supply manufacturers directly, such manufacturer will redirect the customer to us, or advise Enertec Electronics to contact the customer regarding the order.

Enertec Electronics is also a local Israeli distributor of power testing equipment. This includes DC and AC electronic loads, that is, equipment used for the testing of power supplies which utilize alternate current (AC) and direct current (DC) technology.

Enertec Electronics is focusing its efforts almost exclusively on developing its business within the power supplies and power supply testing equipment arena.

### **Enertec Systems**

Enertec Systems is responsible for designing, developing and manufacturing of various military systems for airborne, land and seaborne applications - for example, electronic systems used in aircrafts such as power supplies, laser drivers, mission computers and control systems for motor and pumps, radio transceivers, altitude measuring devices, ground systems for missile control and sub-assemblies, which are parts of a system developed with a customer's specifications. Enertec Systems also designs and manufactures test systems for electronics manufacturers in the military industry based on their specifications for the test and ground support of missiles, aircrafts and other various defense systems.

### **Star Night and S.D.S.**

Star Night is an Israeli corporation incorporated in the State of Israel in 1982. Star Night is an Israel-based company engaged in two core activities. It develops, manufactures and sells electronic and electro-optical systems for night vision, which are based on star light amplification, and it also upgrades aircraft weapons. Star Night owns an 82.6% equity interest in S.D.S.

Through its subsidiary, S.D.S., Star Night is engaged in the field of defense projects and has a worldwide customer base. S.D.S. is active in the field of Aerospace, Land and Naval systems through its subsidiaries: (i) Radom Aviation Systems Ltd. ("Radom"); (ii) New NogaLight Ltd. ("NogaLight"); and (iii) Magam Safety Ltd. ("Magam"), which develop and provide both products and applications. Radom is a company, which provides turnkey solutions for airborne application products. Radom provides avionics and weapon system suites for planes, helicopters and dedicated mission aircraft. NogaLight provides a wide range of night vision system solutions for both airborne and land applications. NogaLight provides the latest night vision and night sight technology. Magam provides products and equipment for airborne, land and naval systems. The products and equipment include pilot light helmets, anti-G-force suits, inflatable life rafts and boats, life preserver jackets, parachutes, inflatable decoys and dummy targets, and fuel tanks.

Both Star Night's and S.D.S.'s shares are listed for trading on the Tel Aviv Stock Exchange.

### **Reasons for the Transaction**

The Company, Enertec Management and Enertec Electronics entered into the respective Agreements within the framework of a reorganization (the "Reorganization") for the following reasons: (i) to address the difficulties we currently encounter to: (a) finance future long-term projects; (b) develop new products; (c) enhance our existing

products; and (d) obtain additional and/or alternative sources of credit and financing; (ii) to create a new holding company, whose subsidiaries will be active globally in the manufacturing of defense equipment and which will seek opportunities in the US and elsewhere to grow its business through acquisitions and otherwise; and (iii) to divest any business activities, which do not complement the business of the Company as expected to be carried out after the closing of the Agreements.

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Reasons for the Systems SPA:

The Systems SPA was entered into within the framework of the Reorganization, inter alia, to improve the Company's cash position.

To finance our growth in productivity (our revenues increased by approximately 23%, from \$7,839,000 at December 31, 2006 to \$9,642,000 at December 31, 2007) and work in process over the year 2007, we significantly increased our bank debt and other short-term debt, which adversely affected our financial liquidity. The increase of work completed, resulted in an increase in our account receivables by approximately 16% (from \$4,667,000 at December 31, 2006 to \$5,414,000 at December 31, 2007). Our financial liquidity was further affected by a further sharp decrease in the US\$ - NIS exchange rate over the year 2007 (the US\$ - NIS exchange rate decreased by approximately 9% from US\$1=NIS4.22 as of December 31, 2006 to US\$1=NIS3.846 as of December 31, 2007; the US\$ - NIS exchange rate decreased further to US\$1=NIS3.535 as of March 31, 2008), which adversely affects our short-term debt commitments as our bank debt and other loans are in NIS and a significant part of our receivables are in US\$.

As currently, there are no other lines of credit available to us to refinance our short-term financing commitments and, in addition, we currently do not have any other sources available for financing our short-term debt commitments, we expect our financial liquidity to decrease and financing costs to increase. Such increased costs and lack of further sources of credit may result, eventually, in the Company not being able to enter into new material commitments for capital expenditures required to obtain and execute long-term projects, expand our operations and to develop new products or enhance our existing products and capabilities to a level required to respond to competitive pressures by our direct competitors or our customers' in-house capabilities. We note, however, that our backlog of order for our products and services remained stable.

Within the framework of the Reorganization and as a condition to enter into the transactions contemplated under the Systems SPA and the Lapis SPA, S.D.S. and Mr. Solomon demanded a divestiture of all the non-core operations and activities that are not compatible and/or synergetic with the Company's business as will be conducted after the closing and consummation of the respective Agreements. The Company's business to be conducted after the closing and consummation of the respective Agreements will be designing, developing and manufacturing of various systems, products and applications mainly for military use.

Reasons for the Electronics SPA:

The Electronics SPA was entered into pursuant to the above demand for divestiture of non-core operations and activities, as Enertec Electronics' activities of marketing and distributing power supplies products and other related power products manufactured by third-party firms are not compatible with the Company's business as will be conducted after the closing and consummation of the respective Agreements.

Previous attempts to sell the business of Enertec Electronics have not been successful and due to the demand by the parties of the Agreements for divestiture of non-core business, Mr. Mund, through his wholly owned company, Mund Holdings Ltd., agreed to purchase Enertec Electronics.

Reasons for the Lapis SPA:

The Lapis SPA was entered within the framework of the Reorganization and to bring the Company into a position under which the Company will: (i) have a stronger position towards banks and other institutions to finance the Company's extended activities; and (ii) to create a new holding company, whose subsidiaries will be active globally in the manufacturing of defense equipment and which will seek opportunities in the US and elsewhere to grow its business through acquisitions and otherwise.





We believe effecting the transactions contemplated under the above Agreements, will provide us with the opportunity to effectively address the difficulties and adverse market conditions set out above. We believe that the cash proceeds to be received by us under the Agreements and the relationship with the Star Night - S.D.S. group of companies will improve our liquidity and our position and bargaining power vis-à-vis our lenders, as well as enable us to grow at a faster pace, either organically or by way of acquisitions.

In addition, we believe there is a potential benefit to the Company from an improved product variety through the Star Night – S.D.S. group of companies and the Star Night – S.D.S. group of companies’ expertise and know-how.

### **Risks**

Upon the closing of the Agreements, the Company’s only asset will be its approximately 34% equity interest in Star Night. Accordingly, within a year following the closing of the Agreements, the Company may be deemed an “investment company” within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”) and subject to regulation under the 1940 Act.

After completion and consummation of the transactions contemplated under the Agreements and receipt of the proceeds thereunder, the Company intends to pursue possible acquisitions and/or investments of a strategic nature. In particular, the Company intends to exploit possible acquisitions of entities and businesses that are active in the same field or complementary to the business of the Company as it will be conducted following the completion and consummation of the transactions contemplated under the Agreements. The above plans may not be successful and we may not be able to grow our business in accordance with our plans.

### **Absence of Dissenters’ Rights of Appraisals**

Under the applicable provision of the Delaware General Corporation Law, the Company’s stockholders will have no rights in connection with the proposed transactions contemplated by the Agreements to seek appraisal for the fair value of their shares of common stock.

### **Accounting Treatment**

The transactions to be effected by the Agreements will be treated as a reverse acquisition, whereby the accounting acquirer is determined to be the legal acquirer.

### **Federal Income Tax Consequences**

The proposed sale of Enertec Electronic and a controlling interest in Enertec Systems should have no direct income tax consequences to the Company’s shareholders. The proposed sale of Enertec Electronics and Enertec Systems will be reported by the Company as a sale of our investment in the respective entities, with the gain or loss included in earnings.

### **Regulatory Approvals**

No United States federal or state regulatory requirements must be complied with or approvals obtained as a condition of the proposed transactions contemplated by the Agreements other than federal securities laws.

### **Description of the Company’s Capital Stock**

The Company’s authorized capital consists of 100,000,000 shares of common stock, \$0.001 par value, and 5,000,000 shares of preferred stock, par value \$0.001. As of February 28, 2008, the Company had 6,483,000 shares of common

stock issued and outstanding, and no shares of Series A Preferred Stock issued and outstanding.

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The Company's common stock is the only class of its securities outstanding having the right to vote. Each share of common stock entitles its record holder to one vote.

## **BENEFICIAL OWNERSHIP OF SECURITIES AND SECURITY OWNERSHIP OF MANAGEMENT**

The following table provides information about shares of common stock beneficially owned as of February 28, 2008 by:

- each of our directors, executive officers and our executive officers and directors as a group; and
- each person owning of record or known by us, based on information provided to us by the persons named below, to own beneficially at least 5% of our common stock;

Name and Position	Shares of Common Stock Beneficially Owned	Percentage
Harry Mund Chief Executive Officer and Director	4,750,000	73.3%
Miron Markovitz Chief Financial Officer and Director	9,000	*
Zvi Avni Chief Operating Officer of Enertec Systems	1,000,000	15.4%
All officers and directors as a group (three individuals beneficially owning stock)	5,759,000	88.32%

\* Less than 1%

Except as otherwise indicated each person has the sole power to vote and dispose of all shares of common stock listed opposite his name. Each person is deemed to own beneficially shares of common stock which are issuable upon exercise of warrants or upon conversion of convertible securities if they are exercisable or convertible within 60 days of February 28, 2008. Applicable percentage is based on 6,483,000 shares of common stock outstanding as of February 28, 2008. None of the persons named in the table own any options or convertible securities.

## **FINANCIAL STATEMENTS**

The Company's annual report on Form 10-KSB for the year ended December 31, 2007, which includes our audited balance sheet at December 31, 2007, and statements of operations and cash flows for the two years in the period then ended, is being delivered herewith. In addition, the Company's quarterly report on Form 10-QSB for the quarter ended March 31, 2008, which includes our unaudited balance sheet as of March 31, 2008, and unaudited statements of operations and cash flows for the quarter ended March 31, 2008, is being delivered herewith.

## **Where You Can Find More Information About the Company**

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains information we file electronically with the SEC, which you can access over the Internet at <http://www.sec.gov>. Copies of these materials may also be obtained by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates.



By Order of the Board of  
Directors

Harry Mund  
Chief Executive Officer

[ ], 2008

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## Appendix A

**LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY  
PROFORMA CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2007**

	LAPIS	STARNIGHT	PROFORMA ADJUSTMENTS		PROFORMA December 31, 2007	
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ -	\$ 19,144,000	\$ 1,345,000	\$ 249,744	1,3,4	\$ 20,239,256
Accounts receivable		25,317,000				25,317,000
Inventories		9,859,000				9,859,000
Prepaid expenses and other current assets		1,561,000				1,561,000
Investment in starnight	1,050,000	-	2,561,699	3,611,699	1,2,5,6	-
<b>Total current assets</b>	<b>1,050,000</b>	<b>55,881,000</b>				<b>56,976,256</b>
Property and equipment, net		4,608,000				4,608,000
Deferred income taxes		3,785,000				3,785,000
	\$ 2,100,000	\$ 64,274,000				\$ 65,369,256
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Bank line of credit	\$ -	\$ 11,032,000				\$ 11,032,000
Accounts payable and accrued expenses	249,744	19,569,000	249,744		4	19,569,000
Due to stockholder	12,750	-	12,750		6	-
<b>Total current liabilities</b>	<b>262,494</b>	<b>30,601,000</b>				<b>30,601,000</b>
Term loans, net of current portion		27,608,000				27,608,000
Severance payable		1,801,000				1,801,000
<b>Total liabilities</b>	<b>262,494</b>	<b>60,010,000</b>				<b>60,010,000</b>
Minority interest		397,000				397,000
Stockholders' Equity:						
Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued	6,483		75,130		2	81,613

Common stock; \$.001 par value, 100,000,000 shares authorized, 81,613,000 shares issued and outstanding						
Additional paid-in capital	1,083,467		2,511,393	2,441,569	2,6	1,013,643
Retained Earnings	(302,444)	3,867,000		302,444	6	3,867,000
Total stockholders' equity	787,506	3,867,000				4,962,256
	\$ 1,050,000	\$ 64,274,000	\$ 6,680,586	\$ 6,680,586		\$ 65,369,256

**LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY**  
**PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>LAPIS</b>	<b>STARNIGHT</b>	<b>PROFORMA ADJUSTMENTS</b>		<b>PROFORMA December 31, 2007</b>
Sales	\$	-	\$ 39,282,000		\$ 39,282,000
Cost of sales		-	26,743,000		26,743,000
Gross profit		-	12,539,000		12,539,000
Operating expenses:					
Selling expenses		-	4,118,000		4,118,000
General and administrative	101,744		6,593,000		6,694,744
Total operating expenses	101,744		10,711,000		10,812,744
Income from operations	(101,744)		1,828,000		1,726,256
Other income (expense):					
Interest expense, net		-	(3,757,000)		(3,757,000)
Other income		-	76,000		76,000
Gain on sale of subsidiary		-	-	295,000	295,000
				3,5,6	-
Total other income (expense)		-	(3,681,000)		(3,681,000)
(Loss) before provision for income taxes and minority interest	(101,744)		(1,853,000)		(1,954,744)
Provision for income taxes		-	(322,000)		(322,000)
Minority interest		-	137,000		137,000
Net (loss)	(101,744)		(2,038,000)		(2,139,744)
Other comprehensive (loss) income, net of taxes Foreign translation (loss) gain		-	-		-
Comprehensive (loss)	\$ (101,744)	\$ (2,038,000.0)			\$ (2,139,744)
Basic net income (loss) per share					\$ (0.03)
Basic weighted average common shares outstanding					81,613,000





**LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY  
PROFORMA ADJUSTMENTS  
DECEMBER 31,2007**

<b>AJE 1</b>		
Cash	1,095,000	
investments		1,095,000

<b>AJE 2</b>		
investments	2,516,699	
common stock		75,130