

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

Under the Securities Exchange Act of 1934
DELTA GALIL INDUSTRIES LTD.

(Name of Issuer)

ORDINARY SHARES, PAR VALUE NIS 1 PER SHARE -----

(Title of Class of Securities)

None

(CUSIP Number)

Isaac Dabah
GMM Capital, LLC
689 Fifth Avenue, 14th Floor
New York, NY 10022
(212) 688-8288

(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications)

With a copy to:
Thomas W. Greenberg, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

August 15, 2005

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. []

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section of the Exchange Act but shall be subject to all other provisions of the Exchange Act (however, see the Notes).

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons
(entities only)

GMM Capital, LLC
I.R.S. Identification No.: 72-6232404

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☐

(b) ☐ -----

----- 3.
SEC USE ONLY

4. Source of Funds (See Instructions)

AF, BK

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to
Items 2(d) or 2(e)

☐

6. Citizenship or Place of Organization

Delaware

Number of Beneficially Owned by Each Reporting Person with

7. Sole Voting Power Shares
0

8. Shared Voting Power

4,750,588

9. Sole Dispositive Power
0

10. Shared Dispositive Power
4,750,588 -----

----- 11. Aggregate
Amount Beneficially Owned by Each Reporting Person
4,750,588

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See
Instructions)

☐ -----

----- 13.
Percent of Class Represented by Amount in Row (11)

25.4%*

14. Type of Reporting Person (See Instructions)

00

* Based on 18,695,165 ordinary shares outstanding, excluding 1,206,802 ordinary
shares held by the Company and excluding 45,882 ordinary shares held by a
trustee in connection with Delta Galil's stock option plans.

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons
(entities only)

GMM Trust
I.R.S. Identification No.: 72-6232404

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☐

(b) ☐ --

3. SEC USE ONLY

4. Source of Funds (See Instructions)

00

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items
2(d) or 2(e)

[] ---

6. Citizenship or Place of Organization

New Jersey

Number of Beneficially Owned by Each Reporting Person with

7.	Sole Voting Power Shares
	0
8.	Shared Voting Power
	4,750,588

9. Sole Dispositive Power

0

10. Shared Dispositive Power

4,750,588

Amount Beneficially Owned by Each Reporting Person
4,750,588

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See
Instructions)

[]

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25.4%**

14. Type of Reporting Person (See Instructions)

00

** Based on 18,695,165 ordinary shares outstanding, excluding 1,206,802
ordinary shares held by the Company and excluding 45,882 ordinary shares held
by a trustee in connection with Delta Galil's stock option plans.

Item 1. Security and Issuer.

This statement on Schedule 13D (the "Statement") relates to the ordinary shares, par value 1 NIS per share ("Ordinary Shares"), of Delta Galil Industries Ltd., an Israeli corporation (the "Company"). The Company's principal executive office is located at 2 Kaufman Street, Tel Aviv, Israel.

Item 2. Identity and Background.

(a) This Statement is being filed jointly on behalf of GMM Capital, LLC ("GMM Capital"), a Delaware limited liability company and GMM Trust, a trust formed under the laws of the State of New Jersey ("GMM Trust", and together with GMM Capital, the "Reporting Persons"). GMM Trust is the sole member of GMM Capital.

(b) The principal office of each of the Reporting Persons is located at 689 Fifth Avenue, 14th Floor, New York, NY 10022. The names, business addresses and present principal occupations or employment of the trustees of GMM Trust are set forth on the attached Schedule I, which is incorporated herein by reference.

(c) The principal business of GMM Capital is to invest in and trade securities on behalf of the beneficiaries of GMM Trust. The principal business of GMM Trust is to invest in and trade securities on behalf of the beneficiaries of GMM Trust. The names and principal occupations or employment of the directors and executive officers of GMM Capital and the trustees of GMM Trust are set forth on the attached Schedule I, which is incorporated herein by reference.

(d) None of the Reporting Persons has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons identified on Schedule I hereto has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) None of the Reporting Persons has, during the last five years, been a party to any civil proceeding as a result of which it was subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws. None of the persons identified on Schedule I hereto has, during the last five years, been a party to any civil proceeding as a result of which such person was subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

(f) Except as noted on Schedule I, all directors and executive officers of GMM Capital and the trustees of GMM Trust are citizens of the United States.

Item 3. Source and Amount of Funds or Other Consideration.

The Reporting Persons have entered into an agreement to acquire 4,256,537 Ordinary Shares (the "Purchased Shares") owned by Sara Lee International Corporation ("Sara Lee") pursuant to the transactions more fully described in Item 4 of this Statement for an aggregate purchase price of \$27,667,490.50 pursuant to a Share Purchase Agreement, dated as of August 15, 2005 (the "Share Purchase Agreement"), by and between GMM Capital and Sara Lee. GMM Capital will fund the purchase price with capital provided by and on behalf of GMM Trust and through loans obtained from one or more financial institutions (which have not yet been identified). The Reporting Persons hold an additional

494,051 Ordinary Shares which were acquired for cash through open market purchases for an aggregate purchase price of \$4,436,331.54, including brokerage fees and commissions.

Item 4. Purpose of Transaction.

On August 15, 2005, GMM Capital entered into the Share Purchase Agreement with Sara Lee pursuant to which GMM Capital has agreed to purchase the Purchased Shares owned by Sara Lee for an aggregate purchase price of \$27,667,490.50, or \$6.50 per share. The consummation of the transactions contemplated by the Share Purchase Agreement is scheduled to take place on August 30, 2005, subject to the satisfaction of certain conditions, including but not limited to: (i) the representations and warranties in the Share Purchase Agreement being true and correct as of the closing date under the Share Purchase Agreement and (ii) the receipt of all applicable authorizations, consents and approvals of governmental authorities. Furthermore, if within six months of the date of acquiring the Purchased Shares, GMM Capital acquires any Ordinary Shares from any of N.D.R.L. Investments (1988) Ltd., Nichsei Adinoam, Noam Lautman or Dov Lautman (collectively, the "Lautman Group") or makes a tender offer to purchase Ordinary Shares at a purchase price higher than \$6.50 per share, then, if such transaction is consummated, GMM Capital has agreed to pay Sara Lee the product of (i) the excess of such purchase price over \$6.50 multiplied by (ii) the number of Purchased Shares. A copy of the Share Purchase Agreement is attached as Exhibit 1 and is incorporated by reference in its entirety herein.

Additionally, in connection with the transactions contemplated by the Share Purchase Agreement, the Lautman Group has agreed to waive certain rights of first refusal it has with respect to the Purchased Shares and to permit the sale by Sara Lee of the Purchased Shares to GMM Capital.

GMM Capital has agreed to purchase the Purchased Securities because the Reporting Persons believe that the Company represents an attractive investment. Additionally, GMM Capital and Isaac Dabah have agreed to enter into a shareholders agreement (the "Shareholders Agreement") with the Lautman Group upon the consummation of the transactions contemplated by the Share Purchase Agreement in order to regulate their relationship as shareholders of the Company and govern their respective support for, and responsibilities towards, the Company. A copy of the form of Shareholders Agreement is attached as Exhibit 2 and is incorporated by reference in its entirety herein.

The Shareholders Agreement will provide, among other things, that:

(1) GMM Capital will be entitled to nominate 30% of the members of the Company's board of directors, excluding outside directors, with fractions rounded up to the next whole number, and the Lautman Group is entitled to nominate the remainder of the members of the board, excluding independent directors;

(2) at least one of the directors nominated by GMM Capital shall be a member of the balance sheet committee of the board of directors of the Company;

(3) the Company may not issue, allot or grant options over or conversion rights into its unissued share capital without the prior consent of GMM Capital or unless as part of a pro rata distribution of fully paid up bonus shares;

(4) new appointments of a chief executive officer of the Company shall require the consent of GMM Capital;

(5) the prior approval of GMM Capital and the Lautman Group shall be required for actions by the Company or its subsidiaries with respect

to (i) acquisitions, dispositions or licenses of assets or businesses, other than in the ordinary course of business consistent with past practice, involving consideration with a value of more than 5% of the total assets of the Company, (ii) public issuances or private placements of bonds or similar debt securities or the payment of dividends in any fiscal year in excess of 5% of the total consolidated assets of the Company, (iii) the approval of the annual capital expenditure budget of the Company and any material modification thereof, if the aggregate amount contemplated by such capital expenditure budget to be spent exceeds certain pre-defined thresholds and (iv) any merger, consolidation, recapitalization or equivalent transaction involving the Company (other than certain intercompany transactions) or the commencement of any bankruptcy or insolvency proceedings or liquidation or winding up of the Company; and

(6) the approval of the annual operating budget of the Company and any material modification thereof shall require the approval of a majority of the board of directors of the Company.

In addition, the Lautman Group and GMM Capital shall each grant the other a right to purchase any Ordinary Shares that the other party beneficially owns and proposes to sell, other than to certain permitted transferees of each party, including controlled and controlling affiliates and family members. Isaac Dabah, the Executive Director of GMM Capital, has personally guaranteed the obligations of GMM Capital under the Shareholders Agreement.

The term of the shareholders agreement will expire on the earlier to occur of: (i) the date on which GMM Capital and its permitted transferees hold less than 10% of the equity rights of the Company and (ii) the date on which the Lautman Group hold less than 10% of the equity rights of the Company, provided that GMM then owns at least 2.5 times the number of shares held by the Lautman Group. The Reporting Persons disclaim beneficial ownership of the Ordinary Shares owned by the Lautman Group.

The parties have also agreed that Isaac Dabah will have the title of non executive Deputy Chairman of the Board of Directors of the Company.

Other than as set forth above, the Reporting Persons have no present plans or intentions which would result in or relate to any of the transactions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D of the Securities Exchange Act of 1934, as amended. However, the Reporting Persons may, at any time and from time to time, review or reconsider their position with respect to the Company, and formulate (and modify) plans or proposals with respect to any such matters. The Reporting Persons intend to continue to review and evaluate their investment in the Company. Depending on the price and availability of funds, subsequent developments affecting the Company, the Company's business, other investment and business opportunities available to the Reporting Persons and general stock market, economic and other factors that the Reporting Persons may deem relevant from time to time, the Reporting Persons may maintain their investment at current levels or sell all or a part of their investment, or acquire additional Ordinary Shares or other securities of Company at any time. Any acquisition or disposition of Ordinary Shares by the Reporting Persons may be effected through open market or privately negotiated transactions, or otherwise.

Item 5. Interest in Securities of the Issuer.

(a) Based upon information set forth in the Company's Report on Form 20-F for the period ending December 31, 2004, there were 19,947,849 Ordinary Shares outstanding as of December 31, 2004, 1,206,802 of which were held by the Company as treasury shares and 45,882 of which were held by a trustee in connection with the Company's stock option plans. The Reporting Persons may be deemed to beneficially own 4,750,588 Ordinary Shares, or 25.4% of the outstanding Ordinary Shares. The persons set forth on Schedule I do not

beneficially own any Ordinary Shares and expressly disclaim beneficial ownership of the Ordinary Shares deemed beneficially owned by the Reporting Persons.

(b) The Reporting Persons share the power to vote or to direct to vote and the share the power to dispose or to direct the disposition of all 4,750,588 Ordinary Shares that may be deemed beneficially owned by them. As a result of its ownership of GMM Capital, GMM Trust may be deemed to control the power to vote or direct the disposition of such Ordinary Shares. The persons set forth on Schedule I do not have the power to vote or to direct to vote or the power to dispose or to direct the disposition of any other Ordinary Shares and expressly disclaim beneficial ownership of the Ordinary Shares deemed beneficially owned by the Reporting Persons.

(c) Except for the transactions described in Item 4 of this Statement, during the past sixty days, there were no purchases of Ordinary Shares, or securities convertible in to or exchangeable for Ordinary Shares, by the Reporting Persons or any person or entity controlled by the Reporting Persons or any person or entity for which the Reporting Persons possess voting control over the securities thereof or, to the knowledge of the Reporting Persons, the persons listed on Schedule I. During such sixty day period, there were no sales of Ordinary Shares, or securities convertible into or exchangeable for Ordinary Shares, by the Reporting Persons or any person or entity controlled by the Reporting Persons or any person or entity for which the Reporting Persons possess voting control over the securities thereof or, to the knowledge of the Reporting Persons, the persons listed on Schedule I.

(d) No person (other than the Reporting Persons) is known by the Reporting Persons to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Ordinary Shares referenced in this Statement.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Except as described herein and in Item 4 of this Statement, there are no contracts, arrangements, understandings or relationships (legal or otherwise) between the Reporting Persons and any person, with respect to any securities of the Company, including, but not limited to, transfer or voting of any of the securities of the Company, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss or the giving or withholding of proxies.

Pursuant to Rule 13d-1(k) promulgated under the Exchange Act, the Reporting Persons have entered into an agreement with respect to the joint filing of this statement, and any amendment or amendments hereto, which is attached as Exhibit 3 and is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits.

1. Share Purchase Agreement, dated as of August 15, 2005 by and between GMM Capital and Sara Lee.

2. Form of Shareholders Agreement to be entered into by and among GMM Capital, Isaac Dabah and the Lautman Group.

3. Joint Filing Agreement, dated as of August 16, 2005, by and between the Reporting Persons.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth herein is true, complete and correct.

GMM CAPITAL LLC

By: /s/ Isaac Dabah

Name: Isaac Dabah

Title: Executive Director

GMM TRUST

By: /s/ Isaac Dabah

Name: Isaac Dabah

Title: Trustee

Dated: August 16, 2005

Schedule I

OFFICERS AND DIRECTORS OF GMM CAPITAL AND TRUSTEES OF GMM TRUST

The names, present principal occupations and business addresses of the officers and directors of GMM Capital and the trustees of GMM Trust are set forth below. Except as set forth below, such individual's business address is that of GMM Capital or GMM Trust, as applicable. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to such person's position with GMM Capital or GMM Trust, as applicable.

Name	Principal Occupation	Business Address
Isaac Dabah, Executive Director of GMM Capital and Trustee of GMM Trust	Private investor	689 Fifth Avenue, 14th Floor New York, NY 10022
Ivette Dabah, Trustee of GMM Trust*	Private investor	689 Fifth Avenue, 14th Floor New York, NY 10022
Donald Hecht, Manager of GMM Capital and Administrative Trustee of GMM Trust	Certified Public Accountant	689 Fifth Avenue, 14th Floor New York, NY 10022
Itzhak Weinstock, Chief Financial Officer of GMM Capital	Chief Financial Officer of GMM Capital	689 Fifth Avenue, 14th Floor New York, NY 10022

* Ivette Dabah is a citizen of Argentina.

EXHIBIT INDEX

1. Share Purchase Agreement, dated as of August 15, 2005 by and between GMM Capital and Sara Lee.
2. Form of Shareholders Agreement to be entered into by and among GMM Capital, Isaac Dabah and the Lautman Group.
3. Joint Filing Agreement, dated as of August 16, 2005, by and between the Reporting Persons.

SHARE PURCHASE AGREEMENT

BY AND BETWEEN

GMM CAPITAL LLC

AND

SARA LEE INTERNATIONAL CORPORATION

August 15, 2005

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SHARE PURCHASE AGREEMENT

This Agreement is entered into on August 15, 2005, by and between GMM Capital LLC, a Delaware limited liability company (the "Buyer"), and Sara Lee International Corporation, a Delaware corporation (the "Seller"). The Buyer and the Seller are referred to collectively herein as the "Parties" and each is referred to herein as a "Party"

WHEREAS, the Seller in the aggregate owns 4,256,537 ordinary shares, par value NIS 1.00 per share (the "Target Shares"), of Delta Galil Industries Ltd., an Israeli company (the "Target"); and

WHEREAS, this Agreement contemplates a transaction in which the Buyer will purchase from the Seller, and the Seller will sell to the Buyer, all of the Target Shares in return for payment of the Purchase Price (as defined below), upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows.

1. Definitions

In this Agreement, each of the following terms shall bear the meaning assigned to it below:

- 1.1. "Affiliate" shall mean, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person. The term "control," as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise.
- 1.2. "Accredited Investor" has the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act.
- 1.3. "Adverse Consequences" means all actions, suits, proceedings, arbitrations, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, reasonable amounts paid in settlement, liabilities, obligations, taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.
- 1.4. "Applicable Rate" means the corporate base rate of interest publicly announced from time to time by J.P. Morgan Chase Bank N.A.
- 1.5. "Buyer" has the meaning set forth in the preface above.
- 1.6. "Closing" has the meaning set forth in section 2.3 below.
- 1.7. "Closing Date" has the meaning set forth in section 2.3 below.
- 1.8. "Confidential Information" means any information concerning the businesses and affairs of the Target that is not already generally available to the public.
- 1.9. "Dispute" has the meaning set forth in section 10.1 below.

- 1.10. "Governmental Entity" shall mean any national, federal, state, local or foreign judicial, legislative, executive, regulatory or administrative authority, self-regulatory organization or arbitrator.
- 1.11. "ICC" has the meaning set forth in section 10.1 below.
- 1.12. "ICC Rules" has the meaning set forth in section 10.1 below.
- 1.13. "Indemnified Party" has the meaning set forth in section 8.4.1 below.
- 1.14. "Indemnifying Party" has the meaning set forth in section 8.4.1 below.
- 1.15. "Law" shall mean any federal, state, foreign or local constitution, law, statute, ordinance, rule, regulation, order, judgment or decree, administrative or judicial order, decree, decision, ruling or charge, and any other executive, legislative, regulatory or administrative proclamation.
- 1.16. "Material Adverse Effect" shall mean any fact, change, event, development or circumstance which, individually or in the aggregate, has had or would be reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations, assets or liabilities of the Target and its Subsidiaries, taken as a whole; provided, however, that the term Material Adverse Effect shall exclude any adverse effect to the extent resulting from (i) changes in general worldwide economic or Israeli political or geostrategic conditions which do not materially disproportionately affect the Target as compared to others in the industry in which it operates or (ii) changes in Target's stock price or trading volume, in and of itself.
- 1.17. "Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).
- 1.18. "Party" and "Parties" have the meanings set forth in the preface above.
- 1.19. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other incorporated entity or a governmental entity (or any department, agency, or political subdivision thereof).
- 1.20. "Purchase Price" has the meaning set forth in section 2.2 below.
- 1.21. "Securities Act" means the US Securities Act of 1933, as amended.
- 1.22. "Security Interest" means any mortgage, pledge, lien, encumbrance, charge, claim to title, option, warrant, purchase right, right of first refusal, restriction on use or transfer under any instrument or agreement, or any other security interest of any nature whatsoever.
- 1.23. "Seller" has the meaning set forth in the preface above.
- 1.24. "Seller's Account" means the Seller's account at Wilmington Trust Bank, in Wilmington, DE with the following details:
Bank: Wilmington Trust
Address: Wilmington, DE
ABA#: 031-100-092
Swift: WITCUS31XXX

Acct. Number: 2290-1133

Acct. Name: Sara Lee International Corporation.

1.25. "Shareholders Agreement" means that certain shareholders agreement made and executed as of December 31, 1998, by and between the Seller, Sara Lee Corporation, N.D.R.L. Investments (1998) Ltd., Nichsei Adinoam Ltd. and Dov Lautman.

1.26. "Subsidiary" of any Person shall mean any legal entity of which such Person (either alone or through or together with any other subsidiary) owns, directly or indirectly, 50% or more of the stock or other equity interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such entity.

1.27. "Target" has the meaning set forth in the preface above.

1.28. "Target Share" means an Ordinary Share, nominal value NIS 1.00, of the Target.

1.29. "Third Party Claim" has the meaning set forth in section 8.4.1 below.

2. Purchase and Sale of Target Shares

2.1. Basic Transaction. On and subject to the terms and conditions of this Agreement, at the Closing, the Buyer shall purchase from the Seller, and the Seller shall sell, convey, transfer, assign and deliver to the Buyer, all of the Target Shares, free and clear of all Security Interests, for the consideration specified below in section 2.2.

2.2. Purchase Price. The Buyer agrees to pay to the Seller at the Closing US\$27,667,490.50 (twenty seven million six hundred sixty seven thousand four hundred ninety U.S. dollars and fifty U.S. cents) (the "Purchase Price") by delivery of cash for the full Purchase Price, by wire transfer to the Seller's Account. The Purchase Price shall be adjusted to reflect appropriately the effect of any forward or reverse stock split, stock dividend (including any dividend or distribution of securities exercisable or exchangeable for or convertible into Target Shares), cash dividend, stock issuance or sale, reorganization, recapitalization, reclassification, combination, exchange of shares or other similar change with respect to the Target Shares occurring on or after the date hereof and prior to the Closing.

2.3. The Closing. On and subject to the terms and conditions of this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, at Four Times Square, New York, NY 10036, commencing at 11:00 a.m. local time on August 30, 2005, or such other date as the Buyer and the Seller may mutually determine (the "Closing Date").

2.4. Deliveries at the Closing. At the Closing:

2.4.1. the Seller will deliver to the Buyer the various certificates, instruments, and documents referred to in section 7.1.6 below;

2.4.2. the Buyer will deliver to the Seller the various certificates, instruments, and documents referred to in section 7.2.4 below;

2.4.3. the Seller will deliver to the Buyer a stock

certificate representing all of the Target Shares owned by the Seller, duly endorsed in blank or accompanied by a duly executed stock power endorsed in blank;

- 2.4.4. the Buyer will deliver to the Seller the consideration specified in section 2.2 above; and
- 2.4.5. each Party will deliver to the other Party all such other certificates, documents and instruments as reasonably requested by such other Party in connection with the consummation of the transactions contemplated hereby.

3. Representations and Warranties of the Seller Concerning the Transaction

The Seller hereby represents and warrants to the Buyer the following in this section 3, except as set forth in Annex I attached hereto (each disclosure set forth in Annex I is identified by reference to a specific section or subsection of this Agreement):

- 3.1. Organization of Seller. The Seller is duly organized, validly existing, and in good standing under the laws of the State of Delaware.
- 3.2. Authorization of Transaction. The Seller has full power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Seller and constitutes the valid and legally binding obligation of the Seller, enforceable in accordance with its terms and conditions. The Seller need not give any notice, make any filing, or obtain any authorization, consent, exemption, waiver or approval from any Governmental Entity in order to execute and deliver this Agreement, perform its obligations hereunder and consummate the transactions contemplated hereby.
- 3.3. No Contravention. Neither the execution, delivery or performance by the Seller of this Agreement, nor the consummation of the transactions contemplated hereby, will:
 - 3.3.1. violate or conflict with any Law or other restriction of any Governmental Entity to which the Seller is subject or any provision of its charter or bylaws; or
 - 3.3.2. conflict with, result in a breach of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject.
- 3.4. Brokers' Fees. The Seller has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

3.5. Target Shares.

- 3.5.1. The Seller holds of record and owns beneficially 4,256,537 (four million two hundred fifty-six thousand five hundred thirty-seven) Target Shares. No other Target Shares are held of record or owned beneficially by the Seller or its Affiliates. The Seller has a good and valid title, right and interest to such Target Shares, free and clear of any Security Interests (other than restrictions under U.S. federal, applicable State, and Israeli securities laws).
- 3.5.2. There are no options, warrants, calls, rights, commitments or agreements of any kind to which the Seller is a party or by which the Seller (or the Target Shares owned by it) is bound which contain any obligations of the Seller, relating to the sale, issuance or the granting of rights to acquire, any of the Seller's Target Shares or evidencing the right to purchase any of the Seller's Target Shares or obligating the Seller to grant, extend or enter into any such option, warrant, call, right, commitment or agreement. The Seller has not entered into any options, warrants, calls, rights, commitments or agreements of any kind on behalf of the Target relating to the sale, issuance or voting of, or the granting of rights to acquire, any of the Target Shares.

3.6. Voting of Target Shares. The Seller is not a party to, and neither the Seller nor the Target Shares owned by it is bound by, any voting trust, proxy, or other agreement or understanding with respect to the manner in which it may or should vote of any of the Target Shares.

3.7. Shareholders Agreement. The Shareholders Agreement has not been amended, modified or supplemented since December 31, 1998.

3.8. Disclaimer of Other Representations and Warranties. Except as expressly set forth in this section 3, the Seller makes no representation or warranty, express or implied, at law or in equity, in respect of itself or the Target or any of their respective assets, liabilities or operations, including, without limitation, with respect to merchantability or fitness for any particular purpose, or the Target Shares, and any such other representations or warranties are hereby expressly disclaimed.

4. Representations and Warranties of the Buyer Concerning the Transaction. The Buyer hereby represents and warrants to the Seller the following in this section 4, except as set forth in Annex II attached hereto (each disclosure set forth in Annex II is identified by reference to a specific section or subsection of this Agreement):

4.1. Organization of the Buyer. The Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of Delaware.

4.2. Authorization of Transaction. The Buyer has full power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions

contemplated hereby. This Agreement has been duly executed and delivered by the Buyer and constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions. The Buyer need not give any notice, make any filing, or obtain any authorization, consent, exemption, waiver or approval from any government or Governmental Entity in order to execute and deliver this Agreement, perform its obligations hereunder and consummate the transactions contemplated hereby.

- 4.3. No Contravention. Neither the execution, delivery or performance by the Buyer of this Agreement, nor the consummation of the transactions contemplated hereby, will:
 - 4.3.1. violate or conflict with any Law or other restriction of any Governmental Entity to which the Buyer is subject or any provision of its certificate of formation or limited liability company agreement; or
 - 4.3.2. conflict with, result in a breach of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject.
- 4.4. Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Seller could become liable or obligated.
- 4.5. Investment. The Buyer:
 - 4.5.1. understands that the Target Shares:
 - 4.5.1.1. are being offered and sold in reliance upon exemptions for transactions not involving a public offering (including exemptions from the registration requirements of the Securities Act and certain US state securities laws);
 - 4.5.1.2. are "restricted securities" under the Securities Act; and
 - 4.5.1.3. may not be re-offered or resold except through a valid and effective registration statement or pursuant to valid exemptions for transactions not involving a public offering (including exemption from the registration requirements under the Securities Act and applicable US state securities laws); and
 - 4.5.2. is acquiring the Target Shares for investment purposes for its own account only and not with a view to, or for sale in connection with, any distribution of all or any part thereof in violation of the applicable (including US federal, US state and Israeli) securities laws and has no intention of

- selling such Target Shares in a public distribution in violation of such securities laws;
- 4.5.3. is an Accredited Investor; and
- 4.5.4. is a sophisticated investor with knowledge and experience in business and financial matters; is able to bear the economic risk and lack of liquidity inherent in holding the Target Shares; and acknowledges that the Target Shares are speculative investments that involve a substantial degree of risk of loss of its entire investment therein and understands and takes full cognizance of the risks related to the acquisition thereof.

- 4.6. Due Diligence. The Buyer has conducted due diligence to the Buyer's satisfaction in connection with the Target and its assets and businesses. In the course of such due diligence, the Buyer has obtained minutes of all Target Board of Director meetings held over least the last two years and director preparatory material in connection therewith.

5. Pre-Closing Covenants

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing:

- 5.1. General. Each of the Parties will use its reasonable best efforts to take all action and to do, and to assist and cooperate with the other Party in doing, all things necessary, proper, or advisable to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in section 7 below).
- 5.2. Notices and Consents. Each of the Parties will give any notices to, make any filings with, and use its reasonable best efforts to obtain any authorizations, consents, and approvals of Governmental Entities in connection with the transactions contemplated hereby (including the matters referred to in sections 3.2 and 4.2 above), as promptly as practicable following the date hereof. Each Party will cooperate in all respect with the other Party in connection with the foregoing, keep the other Party informed of any communications (including meetings and conferences) with Governmental Entities regarding the transactions contemplated hereby and, to the extent practicable, permit the other Party to review any such communication.
- 5.3. Notice of Developments. Each Party will give prompt written notice to the others upon becoming aware of any material adverse development causing a breach of any of its own representations and warranties in sections 3 or 4 above, as applicable, or of any failure by such Party to comply in any material respect with any of its covenants or agreements hereunder. No disclosure by any Party pursuant to this section 5.3 shall be deemed to amend or supplement Annex I, Annex II, or to prevent or cure any misrepresentation or breach of warranty, covenant or agreement.
- 5.4. Ownership of Target Shares; Exclusivity.
- 5.4.1. The Seller will retain beneficial and record ownership of all of the Target Shares owned by it on the date hereof, free and clear of any Security Interest, during the period from the date hereof and continuing until the earlier of the Closing or the

termination or expiration of this Agreement pursuant to its terms.

5.4.2. The Seller will not, and will not authorize any of its Affiliates, officers or directors or any other Person on its behalf to, directly or indirectly, solicit or initiate the submission of any proposal or offer from any Person (other than the Seller and its Affiliates) relating to the acquisition of all or substantially all of the Target Shares owned by it provided, however, without limiting the Seller's obligations under sections 2.1 and 5.4.1, that the Seller or its Affiliates, officers, directors or other Person on its behalf, or its nominees to the Target's board of directors will remain free to participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing, to the extent they reasonably believe, based on the advice of outside legal counsel, that their fiduciary duties to the Target or its stockholders (other than the Seller) so require.

5.4.3. The Seller shall notify the Buyer promptly (and provide material details reasonably requested by the Buyer) if the Seller or any of its Affiliates is approached or solicited, directly or indirectly, by any Person with respect to any matter described in section 5.4.2 above, provided, however, that the Seller may refrain from so notifying (or so providing details) to the extent the Seller reasonably believes, based on the advice of outside legal counsel, that its fiduciary duties to the Target or its stockholders (other than the Seller) so require.

6. Post-Closing Covenants

The Parties agree as follows with respect to the period following the Closing:

- 6.1. General. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under section 8 below).
- 6.2. Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Target, the other Party shall use its reasonable best efforts, subject to applicable Law, to cooperate with it and its counsel in the defense or contest, make available their personnel, and provide such testimony and access to their

books and records as shall be reasonably necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under section 8 below).

- 6.3. Other Acquisitions/Dispositions of Shares. If, prior to the date that is six months following the Closing Date, the Buyer or any of its Affiliates acquires any ordinary shares of Target from Dov Lautman, N.D.R.L. Investments (1998) Ltd. or Nischei Adinoam Ltd. (or any of their respective Affiliates), or makes a tender offer to purchase the ordinary shares of Target from Target's shareholders, in either case at a price per share that is higher than US\$6.50 per share, then Buyer shall pay to the Seller, at the time of consummation of such acquisition or tender offer, an amount equal to the product of (i) the excess of the price per share paid in such acquisition or tender offer over US\$6.50 per share and (ii) the number of Target Shares.

7. Conditions to Obligation to Close

- 7.1. Conditions to Obligation of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction at or prior to the Closing of the following conditions:
- 7.1.1. the representations and warranties set forth in section 3 above shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on the Closing Date; provided, however, that the representations and warranties contained in sections 3.2, 3.5 and 3.6 shall be true and correct in all respects on and as of the Closing Date;
 - 7.1.2. the Seller shall have performed and complied with all of its covenants and agreements hereunder in all material respects through the Closing;
 - 7.1.3. there shall not be any Law in effect making any of the transactions contemplated by this Agreement illegal or otherwise preventing (whether temporarily or permanently) the consummation of any of the transactions contemplated by this Agreement;
 - 7.1.4. all members of the board of directors of the Target nominated by the Seller shall have resigned from such board effective as of the Closing;
 - 7.1.5. since the date hereof, there shall have been no Material Adverse Effect with respect to the Target;
 - 7.1.6. the Seller shall have delivered to the Buyer a certificate from an executive officer of the Seller to the effect that each of the conditions specified above in section 7.1.1 through section 7.1.5 is satisfied in all respects;
 - 7.1.7. the Parties shall have received all required authorizations, consents, and approvals of Governmental Entities in connection with the transactions contemplated hereby (including the matters referred to in sections 3.2 and 4.2 above);
 - 7.1.8. the relevant parties shall have entered into the side agreement in form and substance as set forth in Exhibits A through B attached hereto and the same shall be in full force and effect; and

- 7.1.9. all actions to be taken by the Seller in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Buyer.

The Buyer may waive any condition specified in this section 7.1 if it executes a writing so stating at or prior to the Closing.

- 7.2. Conditions to Obligation of the Seller. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction at or prior to the Closing of the following conditions:

- 7.2.1. the representations and warranties set forth in section 4 above shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on the Closing Date; provided, however, that the representations and warranties contained in section 4.2 shall be true and correct in all respects, as of the Closing Date;
- 7.2.2. the Buyer shall have performed and complied with all of its covenants and agreements hereunder in all material respects through the Closing;
- 7.2.3. there shall not be any Law in effect making any of the transactions contemplated by this Agreement illegal or otherwise preventing (whether temporarily or permanently) the consummation of any of the transactions contemplated by this Agreement;
- 7.2.4. the Buyer shall have delivered to the Seller a certificate from an officer of the Buyer to the effect that each of the conditions specified above in section 7.2.1 through section 7.2.3 is satisfied in all respects;
- 7.2.5. the Parties shall have received all required authorizations, consents, and approvals of Governmental Entities in connection with the transactions contemplated hereby (including the matters referred to in sections 3.2 and 4.2 above);
- 7.2.6. the relevant parties shall have entered into the side agreement in form and substance as set forth in Exhibits A through B attached hereto and the same shall be in full force and effect; and
- 7.2.7. all actions to be taken by the Buyer in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Seller.

The Seller may waive any condition specified in this section 7.2 if it executes a writing so stating at or prior to the Closing.

8. Remedies for Breaches of this Agreement

- 8.1. Survival of Representations and Warranties. The representations and warranties of the Parties contained in this Agreement shall survive the Closing until the first anniversary of the Closing Date; provided, however, that the representations and warranties contained in section 3.5 shall survive the Closing until the third anniversary of the Closing Date. In the event notice of any claim for indemnification under section 8.2 or section 8.3 hereof shall have been given pursuant to section 11.7 within the

applicable survival period, the representations, warranties, covenants and agreements that are the subject of such indemnification claim shall survive until such time as such claim is finally resolved.

- 8.2. Indemnification Provisions for Benefit of the Buyer. In the event the Seller breaches any of its representations, warranties, covenants or agreements contained herein, and provided that the Buyer makes a written claim for indemnification against the Seller pursuant to section 11.7 below within the applicable survival period, then the Seller shall indemnify the Buyer from and against any Adverse Consequences suffered by the Buyer that was caused proximately by any such breach; provided, however, that the Seller shall not have any obligation to indemnify the Buyer from and against any Adverse Consequences resulting from any breach of any representation or warranty (other than those contained in section 3.5) of the Seller: (A) until the Buyer has suffered Adverse Consequences by reason of all such breaches of such representations and warranties in excess of a US\$250,000 aggregate deductible (after which point the Seller will be obligated only to indemnify the Buyer from and against further such Adverse Consequences) or thereafter or (B) to the extent the Adverse Consequences the Buyer has suffered by reason of all such breaches of such representations and warranties does exceed an aggregate ceiling equal to the Purchase Price (after which point the Seller will have no obligation to indemnify the Buyer from and against further such Adverse Consequences).
- 8.3. Indemnification Provisions for Benefit of the Seller. In the event the Buyer breaches any of its representations, warranties, covenants or agreements contained herein, and provided that the Seller makes a written claim for indemnification against the Buyer pursuant to section 11.7 below within the applicable survival period, then the Buyer shall indemnify the Seller from and against any Adverse Consequences suffered by the Seller that was caused proximately by any such breach; provided, however, that the Buyer shall not have any obligation to indemnify the Seller from and against any Adverse Consequences resulting from the breach of any representation or warranty of the Buyer: (A) until the Seller has suffered Adverse Consequences by reason of all such breaches of such representations and warranties in excess of a US\$250,000 aggregate deductible (after which point the Buyer will be obligated only to indemnify the S from and against further such Adverse Consequences) or thereafter or (B) to the extent the Adverse Consequences the Seller has suffered by reason of all such breaches of such representations and warranties does exceed an aggregate ceiling equal to the Purchase Price (after which point the Buyer will have no obligation to indemnify the Seller from and against further such Adverse Consequences).
- 8.4. Matters Involving Third Parties.
- 8.4.1. If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this section 8, then the Indemnified Party shall promptly (and in any event within five business days after receiving notice of the Third Party Claim) notify each Indemnifying Party thereof in writing; provided that the failure

to give such notice as provided herein shall not relieve the applicable Indemnifying Party of its obligations under this section 8.4, except to the extent that such Indemnifying Party is materially prejudiced by such failure to give notice.

- 8.4.2. Any Indemnifying Party shall have the right at any time to assume and conduct the defense of a Third Party Claim with counsel of its choice at such Indemnifying Party's own expense; provided, however, that the Indemnified Party shall have the right to employ one separate counsel reasonably satisfactory to the Indemnifying Party to represent such Indemnified Party if the defendants in any such Third Party Claim include both the Indemnifying Party (or its Affiliates or their respective officers, directors, partners, members, employees, agents, representatives, successors and assigns) and the Indemnified Party and, in such party's reasonable judgment, a conflict of interest between such party and the Indemnifying Party exists in respect of such claim. In such event, the reasonable fees and expenses of such separate counsel shall also be paid by the Indemnifying Party.
 - 8.4.3. Unless and until an Indemnifying Party assumes the defense of the Third Party Claim as provided in section 8.4.2 above, however, the Indemnified Party may defend against the Third Party Claim in any reasonable manner.
 - 8.4.4. Neither the Indemnified Party nor the Indemnifying Party may admit any liability, consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party or the Indemnified Party, respectively, not to be withheld unreasonably.
- 8.5. Determination of Adverse Consequences. The Parties shall make appropriate adjustments for tax benefits and insurance proceeds actually received and take into account the time cost of money (using the Applicable Rate as the discount rate) in determining Adverse Consequences for purposes of this section 8. All indemnification payments under this section 8 shall be deemed adjustments to the Purchase Price.
 - 8.6. Exclusive Remedy. The Buyer and the Seller acknowledge and agree that the foregoing indemnification provisions in this section 8 shall be the exclusive remedy of the Buyer and the Seller with respect to this Agreement, except in the case of fraud by the other Party. This section 8.6 shall not limit the Parties' rights for remedies under sections 10.3 and 11.8 below.

9. Termination.

- 9.1. Termination of Agreement. Each of the Parties may terminate this Agreement as provided below:
 - 9.1.1. the Buyer and the Seller may terminate this Agreement by mutual written consent at any time prior to the Closing;
 - 9.1.2. the Buyer may terminate this Agreement by giving written notice to the Seller at any time prior to

the Closing

- 9.1.2.1. in the event that the Seller has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyer has notified the Seller of the breach, and the breach has continued without cure for a period of 5 business days after the notice of breach; or
- 9.1.2.2. if the Closing shall not have occurred on or before the 28th calendar day following execution of this Agreement by reason of the failure of any condition precedent under section 7.1 hereof (unless the failure results primarily from the Buyer itself breaching any representation, warranty or covenant contained in this Agreement); and

9.1.3. the Seller may terminate this Agreement by giving written notice to the Buyer at any time prior to the Closing:

- 9.1.3.1. in the event that the Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Seller has notified the Buyer of the breach, and the breach has continued without cure for a period of 5 business days after the notice of breach; or
- 9.1.3.2. if the Closing shall not have occurred on or before the 28th calendar day following execution of this Agreement by reason of the failure of any condition precedent under section 7.2 hereof (unless the failure results primarily from the Seller itself breaching any representation, warranty or covenant contained in this Agreement).

9.2. Effect of Termination. If any Party terminates this Agreement pursuant to section 9.1 above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in material breach and except with respect to sections 9.2, 10 and 11 which shall survive such termination).

10. Dispute Resolution

- 10.1. Any differences or disputes arising from or related to this Agreement, or the breach, termination or validity thereof, and the transactions contemplated hereby (a "Dispute"), as well as issues of arbitrability, shall be resolved exclusively and finally by arbitration, which will be carried out in conformity with the Rules of Conciliation and Arbitration of the International Chamber of Commerce (the "ICC") in effect on the date of the Agreement (the "ICC Rules"), except as modified by this Agreement.
- 10.2. The arbitration will be carried out by a single arbitrator, fluent in the English language, appointed by the ICC in accordance with the ICC Rules. The arbitration will be conducted in the city of Tel Aviv, Israel, in the English language.

- 10.3. No court but the arbitrator shall be authorized to issue temporary restraining orders or preliminary injunctions; provided, however that prior the appointment of the arbitrator any Party may obtain provisional injunctive relief from a court of law with appropriate jurisdiction to maintain the status quo or prevent irreparable harm, pending the appointment of the arbitrator.
- 10.4. The arbitration shall be governed by Israel's Arbitration Law, 1968, to the exclusion of any other Law of arbitration.
- 10.5. In determining the merits of any Dispute, the arbitrator shall apply the governing Law of this Agreement as set forth in section 11.9 below. The arbitrator shall have the authority to award compensatory damages and any form of temporary or permanent injunctive relief, including specific performance, that is consistent with this Agreement and applicable Law. The arbitrator shall not have any authority to award consequential, punitive or treble damages or any other form of enhanced damages. The arbitrator shall have no authority to vary, alter, modify or change the terms of this Agreement. Any award by the arbitrator shall be accompanied by a written opinion setting forth the findings of fact and conclusions of Law relied upon in reaching the decision. Any decision or award of the arbitrator shall be binding upon the Parties, and judgment upon any such arbitral award may be entered in and enforced by any court of competent jurisdiction.

11. Miscellaneous

- 11.1. Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party may make any disclosure it believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will, prior to making such disclosure, use its reasonable best efforts to advise the other Party as promptly as practicable, allow the other Party reasonable time to comment on such disclosure and consider the views of the other Party in respect of such disclosure, all unless impracticable). Notwithstanding the foregoing, the Seller may notify the Target at any time of the fact and content of this Agreement, without obtaining approval of or advising the Buyer.
- 11.2. No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.
- 11.3. Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.
- 11.4. Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party, except that the Buyer may assign

any of its rights under this Agreement (including the right to purchase the Target Shares), in whole or in part, to any of its Affiliates without obtaining the approval of the Seller; provided that any such assignment shall not relieve the Buyer of its obligations hereunder.

- 11.5. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.
- 11.6. Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
- 11.7. Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Seller:

Sara Lee Corporation
Attn: General Counsel
Three First National Plaza
Chicago, IL 60602-4260
United States of America
Fax: +1 (312) 558-8687

Copy to:

Norman Menachem Feder, Adv.
Caspi & Co.
33 Yavetz Street
Tel Aviv 65258
Israel
Fax: +972 (3) 796-1320

If to the Buyer:

GMM Capital LLC
Attn: Isaac Dabah
950 Third Avenue, Suite 2805
New York, NY 10022
United States of America
Fax: +1 (212) 688-6288

Copy to:

Thomas Greenberg, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
United States of America
Fax: +1 (917) 777-7886

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, facsimile, telex, ordinary mail, or electronic mail), but no

such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

- 11.8. Specific Performance. The Parties agree that if any of sections 5.1 or 5.4 of this Agreement is not performed in accordance with its specific terms or is otherwise breached, irreparable damage would occur, no adequate remedy at Law would exist and damages would be difficult to determine, and that the injured Party shall be entitled to specific performance of the terms hereof, in addition to any other remedy at Law or equity.
- 11.9. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Israel, without giving effect to any choice or conflict of law provision or rule that would cause the application of the Laws of any jurisdiction other than the State of Israel.
- 11.10. Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the Seller. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.
- 11.11. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.
- 11.12. Expenses. Each of the Party will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.
- 11.13. Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. Any reference to "day" or "days" shall refer to calendar day or calendar days, respectively, unless otherwise noted.
- 11.14. Incorporation of Exhibits and Annexes. The Exhibits and Annexes identified in this Agreement are incorporated herein by reference and made a part hereof.

EXECUTION COPY

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

GMM CAPITAL LLC

By: /s/ Isaac Dabah

Name: Isaac Dabah

Title: Executive Director

SARA LEE INTERNATIONAL CORPORATION

By: /s/ Aaron G. Alt

Name: Aaron G. Alt

Title: Vice President and Assistant Secretary

FORM OF
SHAREHOLDERS AGREEMENT

Made and executed as of the _____
by and between

N.D.R.L Investments (1998) Ltd., a private limited company organized under the laws of Israel, whose registered office is situated at 2 Kaufman Street, Tel Aviv (hereinafter "NDRL") and Nichsei Adinoam Ltd., a private limited company organized under the laws of Israel, whose registered office is situated at 2 Kaufman Street, Tel Aviv (hereinafter "Nichsei Adinoam"), Noam Lautman of 34 Harav Amiel St. Tel Aviv (hereinafter "Noam") and Dov Lautman of 14 Openheimer St., Tel Aviv (hereinafter "Lautman") (hereinafter jointly and severally, "the Lautman Group"),

of the first part

and

GMM Capital LLC, a Delaware limited liability company (hereinafter "GMM"), and Isaac Dabah (hereinafter "Dabah") (hereinafter jointly and severally, "the Dabah Group" and collectively with the Lautman Group, the "Parties")

of the second part

WHEREAS
Limited

the Parties are shareholders in Delta Galil Industries (hereinafter referred to as "the Company" or "Delta Galil"); and

WHEREAS

the issued share capital of the Company is NIS 19,947,849 divided into 19,947,849 Ordinary Shares of a nominal value of NIS 1 each (hereinafter "Shares") of which 1,206,802 are held by Delta Galil as treasury stock; and

WHEREAS

On the date hereof, GMM holds, beneficially and of record, 4,256,537 Shares acquired from Sara Lee International Corporation (hereinafter, "SLIC"); and

WHEREAS
beneficially

On the date hereof, NDRL and Nichsei Adinoam hold

WHEREAS

and of record (in the aggregate) 4,644,993 Shares; and The Lautman Group and GMM wish to coordinate the exercise of their rights as shareholders in the Company, in accordance with and subject to the terms and conditions specified hereinafter; and

WHEREAS

in accordance with the Shareholders' Agreement dated December 31, 1998 between certain members of the Lautman Group, Sara Lee Corporation and SLIC, GMM has become a party to that agreement (hereinafter the "Existing Shareholders'

Agreement"); and

WHEREAS GMM and the Lautman Group have agreed to amend and restate the Existing Shareholders' Agreement in accordance with the terms and provisions contained herein (as so amended and restated, this "Agreement");

WHEREAS Dabah agrees to guarantee in favor of The Lautman Group the performance by Dabah of all of GMM's obligations under this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained, and subject to the terms and conditions set forth herein, the Parties hereto agree as follows:

1. Representations and Warranties of the Lautman Group

- (a) Each of the members of the Lautman Group is duly organized, validly existing, and in good standing under the laws of Israel.
- (b) Each of the members of the Lautman Group has full power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of the members of the Lautman Group and constitutes the valid and legally binding obligation of each of the members of the Lautman Group, enforceable in accordance with its terms and conditions. Each of the members of the Lautman Group need not give any notice, make any filing, or obtain any authorization, consent, exemption, waiver or approval from any third party in order to execute and deliver this Agreement, perform its obligations hereunder and consummate the transactions contemplated hereby.
- (c) Neither the execution, delivery nor the performance by each of the members of the Lautman Group of this Agreement, nor the consummation of the transactions contemplated hereby, will:
 - (1) violate or conflict with (i) any law or other restriction of any governmental entity to which such member of the Lautman Group is subject or (ii) any provision of its Memorandum of Association and Articles; or
 - (2) conflict with, result in a breach of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the such member of the Lautman Group is a party or by which it is bound or to which any of its assets is subject.
- (d) Except as expressly set forth in this Section, none of the members of the Lautman Group makes any representation or warranty, express or implied, at law or in equity, in respect of itself or Delta Galil or any of their respective assets, liabilities or operations, including, without limitation, with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed.

2. Representations and Warranties of GMM

- (a) GMM is a limited liability company duly organized, validly existing, and in good standing under the laws of Delaware. The sole shareholder of GMM is a Trust, the beneficiaries of which are the children of Ivette and Isaac Dabah and the Trustees of which are Ivette and Isaac Dabah.
 - (b) GMM has full power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by GMM and constitutes the valid and legally binding obligation of GMM, enforceable in accordance with its terms and conditions. GMM need not give any notice, make any filing, or obtain any authorization, consent, exemption, waiver or approval from any government or governmental entity in order to execute and deliver this Agreement, perform its obligations hereunder and consummate the transactions contemplated hereby.
 - (c) Neither the execution, delivery nor the performance by GMM of this Agreement, nor the consummation of the transactions contemplated hereby, will:
 - (1) violate or conflict with any law or other restriction of any governmental entity to which GMM is subject or any provision of its certificate of formation or limited liability company agreement; or
 - (2) conflict with, result in a breach of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which GMM is a party or by which it is bound or to which any of its assets is subject.
 - (d) Except as expressly set forth in this Section, GMM does not make any representation or warranty, express or implied, at law or in equity, in respect of itself or its affiliates or any of their respective assets, liabilities or operations, and any such other representations or warranties are hereby expressly disclaimed.
3. Board Representation and Chief Executives

Each of the Lautman Group and each of the Dabah Group hereby agrees and undertakes, during the term of this Agreement, to exercise all rights and powers available to them by virtue of their shareholdings in the Company to procure that:

- (a) GMM shall be entitled to nominate Directors on the Board of Directors of the Company (hereinafter "the Board") in a number not exceeding the number of Directors of the Board, as changed from time to time (excluding the Outside Directors, as required under the Israeli Companies Law) multiplied by 0.3, with fractions resulting from such calculation rounded up to the next whole number; and the rest of the Directors shall be nominated by the Lautman Group.
- (b) At least one of the Directors nominated by GMM as aforesaid shall be a member of the Balance Sheet Committee of the Board and, at GMM's request, of any other Committee of the Board in respect of which

such request has been made.

- (c) If at any time GMM shall in writing indicate that it wishes another person or persons to be a Director or Directors in place of the Director or Directors appointed upon GMM's nomination as aforesaid, such person or persons shall be appointed in place of the Director or Directors appointed as aforesaid.
 - (d) If at any time the Lautman Group shall in writing indicate that it wishes another person or persons to be a Director or Directors in place of the Director or Directors appointed upon the Lautman Group's nomination as aforesaid, such person or persons shall be appointed in place of the Director or Directors appointed as aforesaid.
 - (e) The Company shall not, during the term of this Agreement, issue, allot or grant options over or conversion rights into its unissued share capital: (i) unless with the prior written consent of GMM or (ii) unless within the framework of a pro rata distribution of fully paid-up bonus shares.
 - (f) New appointments of a Chief Executive of the Company shall be made with the written consent of GMM, which consent shall not be unreasonably withheld.
 - (g) The prior approval of GMM and of the Lautman Group shall be required for actions by Delta Galil or its subsidiaries with respect to (i) acquisitions, dispositions or licenses of assets or businesses, other than in the ordinary course of business consistent with past practice, in a transaction or series of related transactions involving consideration with a value of more than 5% of the total consolidated assets of Delta Galil, (ii) public issuances or private placements of bonds or similar debt securities or the payment of dividends in any fiscal year, in a transaction or series of related transactions, in either case in excess of 5% of the total consolidated assets of Delta Galil, (iii) the approval of the annual capital expenditure budget of Delta Galil and any material modification thereof, if the aggregate amount contemplated by such capital expenditure budget to be spent in 2006 exceeds the aggregate amount of depreciation expense for 2005, or if the aggregate amount contemplated by such capital expenditure budget to be spent in any fiscal year starting of 2007 onwards, exceeds by more than 10%, the aggregate amount of depreciation expense for the immediately preceding fiscal year, and (iv) any merger, consolidation, recapitalization or equivalent transaction involving Delta Galil (other than any such merger or consolidation solely between Delta Galil and one or more of its subsidiaries or solely between the subsidiaries of Delta Galil, provided that the equity securities of Delta Galil are unaffected thereby) or the commencement of any bankruptcy or insolvency proceedings or liquidation or winding up of Delta Galil.
 - (h) The approval of the annual operating budget of Delta Galil and any material modification thereof shall require the approval of a majority of the Board of Directors of Delta Galil.
4. The Lautman Group shall cause Isaac Dabah and GMM's director designees to be appointed to the Board of Directors of Delta Galil as soon as practicable following the execution of this Agreement and the resignation from the Board of Directors of Delta Galil of the directors designated by

Sara Lee International Corporation and Sara Lee Corporation, and for so long as he serves on the Board of Directors, Isaac Dabah shall have the title of non-executive Deputy Chairman of the Board of Directors.

5. Rights of First Refusal; Requirements Concerning the Disposal of Shares
Any transfer of Shares held by the Parties on the date hereof (subject to Section 16(f)) shall be subject to the following:

- a) Any Party proposing to transfer all or any of its Shares of the Company (the "Offeror") shall notify the other Party in writing offering to sell such Shares to such other Party (the "Offer"), which notice shall state (i) the number of such Shares proposed to be transferred (the "Offered Shares"), (ii) the name of the proposed purchaser thereof (except with respect to sales of shares on the TASE or NASDAQ) and (iii) the terms of the proposed transfer and the transferring Party's bona fide intention to transfer the Shares on such terms. If the Offeror submits an Offer to sell the Offered Shares on the TASE (or NASDAQ), then the price of the Offer will be three percent (3%) below the weighted average of the closing market price of the Shares on the TASE (or NASDAQ, as the case may be) during the three (3) trading days immediately preceding the date of the Offer (the "Average Price").
- b) The other Party may accept such Offer in respect of all but not less than all of the Offered Shares, by giving a written notice to that effect to the Offeror (hereinafter the "Purchase Notice") within forty-five (45) days after being served with the Offer with respect to an Offer that is not by way of a sale on the TASE or NASDAQ, and within two (2) business days, with respect to a proposed sale on the TASE or NASDAQ (the "Offer Notice Period").
- c) The delivery to the Offeror of the Purchase Notice as aforesaid will be deemed to constitute a binding agreement between the Offeror and the other Party as to the purchase of the Offered Shares, free and clear of any liens or other encumbrances, at the price and on the terms set forth in the Offer.
- d) The other Party shall pay the relevant price of the Offered Shares within twenty-one (21) days from the receipt of the Purchase Notice (or on a later date, if such date is specified in the Offer), or if the Offeror submits an Offer to sell the Offered Shares on the TASE (or NASDAQ), then the price of the Offer shall be paid immediately, in each case against receipt of a duly executed Share Transfer Deed (or Deeds) and Share certificates (as appropriate) for the Offered Shares.
- e) If the other Party fails to notify the Offeror in writing of the acceptance of the Offer within the Offer Notice Period, the other Party will be deemed to have rejected the Offer and the Offeror may sell, to the person named as the purchaser in the Offer, the Offered Shares at a price and on terms which are not less favorable to the Offeror than those of the Offer, during a forty-five (45) day period following the expiry of the Offer Notice Period. If the Offer was to sell the Offered Shares on the TASE (or NASDAQ), then there will be no limitation as to the price of the Shares to be sold and the other party shall have the right to sell the same amount of Shares on the TASE (or NASDAQ) within the same 45 day period, without being subject to the Right of First Refusal as specified in this Section 5. If the Offeror fails to sell the Offered Shares under those terms during the forty-five (45) day period, the right of the Offeror to sell the Offered Shares will again be subject to the Right of First Refusal as specified in Section 5 (a) above. Notwithstanding the

foregoing, in the event of any sale that is to be made on the TASE (or NASDAQ), if the per share price of the Shares at or prior to the time of such sale declines by more than 15% from the Average Price set forth in the Offer, then the Offeror will be required to either (i) again comply with the provisions of Sections 5(a)-(d) above prior to effecting the sale of such Shares pursuant to Section 5(e) or (ii) withdraw its Offer and not sell its Shares pursuant to this Section 5(e).

- f) Notwithstanding anything to the contrary contained herein, each of the Parties may transfer, sell or otherwise assign any of its Shares to: (i) such Party's spouse, siblings, ancestors, and descendants (whether natural or adopted), any spouses of such siblings, ancestors or descendants ("Relatives"), or any trust for the benefit of such Shareholder or any of the foregoing; provided however that such person or trust agrees in writing to be bound by the terms of this Agreement; (ii) a person or entity that Controls or is Controlled by such shareholder or any of their Relatives; (iii) in the case of a transfer by a limited partnership, to any of its limited partners or general partners on the date of execution of this Agreement in the same proportion as their ownership interest in the limited partnership, or to an affiliated limited partnership managed by the same management company on the date of execution of this Agreement or to the partners thereof on the date of execution of this Agreement in the same proportion as their ownership interest in the affiliated limited partnership; (iv) in the case of a body corporate, to its shareholders on the date of execution of this Agreement and their Relatives in the same proportion as their ownership interest on the date of execution of this Agreement in the body corporate; (v) with respect to any member of the Lautman Group to any other member of the Lautman Group; (vi) with respect to GMM, one transfer of up to ten percent (10%) of its total shareholding in the Company on the date hereof to third parties designated by GMM; (vii) a transfer by any Party of not more than 200,000 shares in any twelve (12) month period; or (viii) a transfer by any Party of any shares to a recognized charitable organization (each, a "Permitted Transferee"), provided that, in each case referred to in subsections (i) - (v) of this paragraph above, concurrently with such transfer, such Permitted Transferee shall agree in writing to assume all the obligations of such transferring Party under this Agreement and provided further that, in each case referred to in subsections (i) - (v), Lautman, GMM and Dabah, as the case may be, shall continue to guarantee the performance of the obligations hereunder by such Permitted Transferee. For the purpose of this clause, "Control" shall mean holding of 70% or more of the outstanding issued share capital (or other voting securities) of the relevant entity.
- g) Notwithstanding the aforesaid, any pledge of the Shares to a creditor of a Party, and in the event Shares are sold by or on behalf of a creditor of a Party, such sale will not be subject to these right of first refusal provisions, provided, however, that the said creditor is a bank, insurance company or other financial institution and the credit was granted to the said Party for acquiring the Shares which are sold by the bank, insurance company or other financial institution.
6. No sale or transfer under Section 5 (e) above, other than sale of Shares to the public on the TASE or on NASDAQ in accordance with Section 5 above, to any third party shall be permitted or of any effect unless and until the proposed purchaser or transferee referred to therein undertakes in writing towards the other parties to this Agreement, in the event that the Offeror shall have sold or transferred as aforesaid all the Shares held by it in the Company, to be bound by all the provisions of this Agreement as if it were a party hereto in place of the Offeror; in the

event that the Offeror shall have sold or transferred as aforesaid a part of the Shares held by it in the Company then each of them is to be bound as aforesaid as regards the Shares held by it in the Company. For the avoidance of doubt it is hereby clarified that once a party hereunder has sold all of its Shares in the Company in accordance with Section 5 above, such party shall be released from all obligations arising hereunder after the date of such sale.

7. Any transfer of the Control in any entity which holds, directly or indirectly, Shares in Delta Galil to any party which is not a Permitted Transferee referred to in subsections (i) - (v) of Section 5 (f) of this Agreement shall be deemed to be a transfer of the Shares of Delta Galil held by such entity, and will be subject to the Right of First Refusal specified in section 5 of this Agreement. In such event, the said Party shall be obligated to send to the other Party, prior to the transfer of Control, an Offer with respect to the Shares held by such Party which will be subject to all the terms applied with respect to an Offer that is not by way of a sale on the TASE or NASDAQ, provided that the price in respect of such Shares shall be deemed to be the weighted average of the closing market price of the Shares on the TASE during the three (3) trading days immediately preceding the date of the Offer.

8. Duration

- (a) This Agreement shall continue in full force and effect until the first date of the following dates, in which event this Agreement shall cease to have any further force or effect:

- (1) The date on which GMM (together with its Permitted Transferees of the type referred to in clauses (i)-(v) of Section 5(f)) cease to hold shares of the Company in aggregate conferring on them at least ten percent (10%) of the equity rights in the Company; provided, however, that the Lautman Group shall exercise all rights and powers available to it by virtue of its shareholdings in the Company to procure that Dabah, personally, shall be entitled to be nominated as a Director to the Board, as long as GMM holds Shares in the Company, or
- (2) the date on which the Lautman Group (together with its Permitted Transferees of the type referred to in clauses (i)-(v) of Section 5(f)) cease to hold shares of the Company in aggregate conferring on them at least ten percent (10%) of the equity rights in the Company; provided, however, that GMM (together with its Permitted Transferees of the type referred to in clauses (i)-(v) of Section 5(f)) shall then hold shares of the Company in aggregate conferring on them at least 2.5 times the then holdings of the Lautman Group (together with its Permitted Transferees of the type referred to in clauses (i)-(v) of Section 5(f)) in the Company; and further provided, that GMM shall exercise all rights and powers available to it by virtue of its shareholdings in the Company to procure that The Lautman Group shall be entitled to nominate one Director to the Board, as long as any member of the Lautman Group holds Shares in the Company,

- (b) Notwithstanding the provisions of Sections 3(a) and 3(c) above, the Lautman Group shall have the right to object to the appointment of a director nominated by any successor to GMM's interest in the Shares other than GMM and its Permitted Transferees, or an entity directly or indirectly controlled by it, provided such objection is made on

reasonable grounds.

9. Non-Competition

Without derogating from any applicable Law, for so long as Dabah or Lautman (or their respective designees) continue to serve on the Board of Directors of the Company, such Party shall not, directly or indirectly, engage or participate in any business that is principally engaged in the manufacture or sale of intimate apparel, Men's underwear or socks which, directly or indirectly, competes with the Company in the categories of intimate apparel, Men's underwear or socks; provided, however, that nothing in this Section 9 shall restrict either Party from holding any debt or equity interest in any entity, so long as such Party is not an executive officer of such entity.

10. Guarantee of GMM's Obligations

Isaac Dabah hereby guarantees the performance by GMM of all its obligations hereunder. For the avoidance of doubt, Dabah's said guarantee shall expire on the date on which GMM shall be released of all obligations under this Agreement or such obligations shall have otherwise terminated in accordance with the terms of this Agreement.

11. No Partnership

Nothing herein contained shall be construed or deemed to constitute a partnership between the parties and save as expressly set out herein none of them shall have any authority to bind the others in any way.

12. Successors and Assignment

This Agreement shall be binding on, and enforceable against, and shall inure to the benefit of, the personal representatives of, and other successors in title to, each of the parties hereto. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

13. Waiver and Forbearance

No rights of any party shall be prejudiced or restricted by any indulgence or forbearance to any other party or parties and no waiver by any party in respect of any breach shall operate as a waiver in respect of any subsequent breach.

14. Governing Law and Competent Court

The construction, validity and performance of this Agreement shall be governed by the Laws of the State of Israel, and the competent courts of Tel-Aviv shall have exclusive jurisdiction in all matters relating to this Agreement.

15. Conflict of Terms

In the event of any ambiguity or conflict arising between the terms of this Agreement and those of the Company's Memorandum and Articles of Association, the terms of this Agreement shall prevail as between the parties hereto.

16. Miscellaneous

- (a) Entire Agreement. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof. This Agreement shall replace the Existing Shareholders Agreement.
- (b) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.
- (c) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
- (d) Amendments. No modification or amendment of this Agreement may be made except by an instrument in writing, signed by all the parties hereto.
- (e) Exercise of Rights by Lautman. Any right granted under this Agreement to Lautman may be exercised by any member of the Lautman Group for so long as such member of the Lautman Group is Controlled by Lautman or by any of his Relatives.
- (f) Non-Applicability of Agreement to Certain Shares. Notwithstanding anything herein to the contrary, the provisions of Section 5 of this Agreement shall not apply to any Shares owned or acquired by GMM or its Permitted Transferees other than the Shares acquired by GMM from SLIC.

17. Notices

Any notices or communications required or permitted hereunder shall be deemed sufficiently given by any of the parties hereto to the other party of such notice or communication is in writing and delivered personally or sent by registered mail or by facsimile, as follows:

If to the Lautman Group, to it as follows:

Dov Lautman
2 Kaufman Street
Tel-Aviv 68012
Israel
(Tel: 03-5193636)
(Fax: 03-5193790)

With a simultaneous copy to:
I. Amihud Ben-Porath, Hamou & co. Law Offices
148 Derech Menachem Begin
Tel Aviv
Att. Shmuel Hamou, Adv.
Fax: (03) 6061606

If to GMM, as follows:

GMM Capital LLC
689 Fifth Avenue
14th Floor
New York, NY 10022
Tel: (212) 688-8288

Fax:

With a simultaneous copy to:
Shiboleth, Yisraeli, Roberts & Zisman
46 Montefiore Street,
Tel Aviv
Att. Richard M. Roberts, Adv.
Tel: (03) 7103326
Fax: (03) 7103322
Email: R.Roberts@shibolet.com

The above addresses shall also be respectively the addresses of the parties hereto for service of legal documents of any kind. Either party shall, from time to time, be entitled by notice in writing to the other parties hereto, to change its aforesaid address to another address, such notice shall come in to effect upon receipt thereof by the other parties.

AS WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

- N.D.R.L. INVESTMENTS (1998) LTD.

GMM Capital LLC

- NICHSEI ADINOAM LTD.

ISAAC DABAH

NOAM LAUTMAN

DOV LAUTMAN

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the undersigned hereby agree to the joint filing on behalf of each of them of a statement on Schedule 13D (including amendments thereto) with respect to the Ordinary Shares of Delta Galil Industries Ltd., and that this Agreement be included as an Exhibit to such joint filing.

IN WITNESS WHEREOF, the undersigned hereby execute this Agreement this 16th day of August, 2005.

GMM CAPITAL LLC

By: /s/ Isaac Dabah

Name: Isaac Dabah
Title: Executive Director

GMM TRUST

By: /s/ Isaac Dabah

Name: Isaac Dabah
Title: Trustee

