



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

July 31, 2008

Gary Rice, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017-3954

Dear Mr. Rice:

This responds to your letter dated March 14, 2008, and subsequent correspondence, requesting a determination that an application under the Bank Holding Company Act ("BHC Act")¹ would not be required in connection with certain reorganizations of the Bronfman Group and the subsequent exercise of an option ("IDB Option") by the Bronfman Group and the Schron Group² to acquire an additional 25 percent of the voting shares of Israel Discount Bank ("IDB"), Tel Aviv, Israel, the foreign bank parent of Israel Discount Bank of New York ("IDB-NY"), New York, New York, a New York state nonmember bank. The Bronfman Group and the Schron Group received the Board's approval to jointly acquire up to 51 percent of the voting shares of IDB, including authority to exercise the IDB Option, on December 16, 2005. The parties, however, did not exercise the option within the time frame required by the Board Order.³

¹ 12 U.S.C. § 1841, *et seq.*

² The two investor groups seeking to exercise the IDB Option may be classified as the "Bronfman Group" and the "Schron Group." The Bronfman Group consists of the following entities: Edgar M. Bronfman IDB Trusts A through G ("EMB IDB Trusts"), Quebec, Canada; Treetops Acquisition Group Ltd. ("Treetops AG") and Treetops Acquisition Group LP ("Treetops"), both in Grand Cayman, Cayman Islands; three Bronfman-affiliated trusts ("Bronfman Minority Trusts"); and three Bronfman-affiliated individual investors ("Bronfman Individual Investors"). The EMB IDB Trusts, the Bronfman Minority Trusts, and the Bronfman Individual Investors are limited partners of Treetops. Treetops AG is the general partner of Treetops, and is, in turn, wholly-owned by the EMB IDB Trusts, the Bronfman Minority Trusts, and the Bronfman Individual Investors. The Schron Group consists of the following entities: Cam-Discount Ltd.; Treetops Acquisition Group II Ltd. ("Treetops AG II"); and Treetops Acquisition II LP ("Treetops II"), all in Grand Cayman, Cayman Islands. Cam-Discount Ltd. is the sole limited partner of Treetops II. Treetops AG II is wholly-owned by Cam-Discount Ltd., and is the general partner of Treetops II.

³ See Treetops Acquisition Group LP, 92 Federal Res. Bull. C46 (2006). In keeping with the Board's longstanding practice, the Order provided a three-month period to consummate the transaction. At present, the Bronfman Group, through Treetops, owns approximately 16 percent

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You have indicated that the proposed transaction would proceed concurrently for the Bronfman and Schron Groups in the steps as described below.

Exercise of the IDB Option by the Bronfman Group

- (1) The EMB IDB Trusts, registered bank holding companies, would combine into a single trust; specifically, the Edgar M. Bronfman IDB Trusts B through G will merge into the Edgar M. Bronfman IDB Trust A ("EMB IDB Trust A"), with the EMB IDB Trust A as the survivor.

- (4) Treetops would exercise the Bronfman Group's option to purchase additional shares of IDB by acquiring approximately 15 percent of the voting shares of IDB.

As a consequence,
the Bronfman Group would hold approximately percent of the voting shares of IDB.

- (6) Through a series of transactions, the IDB Clone Trust would be extinguished.

The effect of these steps is to consolidate the EMB IDB Trusts into a single bank holding company, and to allow the Bronfman Group, collectively, to control percent of the voting shares of IDB at the end of the proposed transaction

Exercise of the IDB Option by the Schron Group

- (1) Treetops II would exercise the Schron Group's option to purchase additional shares of IDB by acquiring approximately 10 percent of the voting shares of IDB.

of the voting shares of IDB, and the Schron Group, through Treetops II, owns approximately 10 percent of the voting shares of IDB.

Section 3 of the BHC Act requires approval by the Board before a bank holding company may take any action that causes a bank to become a subsidiary of the bank holding company, or acquire direct or indirect ownership or control of more than 5 percent of the voting shares of a bank.⁴ As described above, by exercising the IDB Option, the Bronfman Group and the Schron Group, through Treetops and Treetops II, would increase their ownership of the shares of IDB, and thereby acquire indirectly additional shares of IDB-NY. As part of the transaction proposed by the Bronfman Group, the EMB IDB Trusts would combine into a single bank holding company, and the IDB Clone Trust would indirectly hold the shares of IDB-NY for a brief period of time.

Accordingly, the Board's approval under section 3 of the BHC Act for all of these transactions would ordinarily be required.

As you have noted in your letter, the Board has previously approved the application by the Bronfman Group and the Schron Group to collectively acquire up to 51 percent of the voting shares of IDB. The exercise of the IDB Option by the Bronfman Group and the Schron Group is solely for the purpose of executing the transaction that was previously reviewed and approved by the Board and, after consummation of the exercise of the IDB Option, the combined shareholdings would equal approximately percent of the voting shares of IDB, which is within the level approved by the Board. In addition, the horizontal consolidation of the existing bank holding companies, EMB IDB Trusts, into a single bank holding company, EMB IDB Trust A, is a reorganization of existing BHCs that were already approved by the Board in connection with the approval received by the Bronfman Group to acquire IDB shares in 2005. No part of this proposal would result in a change in the management or operations of IDB. The Bronfman and Schron Groups have submitted sufficient financial, managerial and other information to Board staff to demonstrate their ability to execute the IDB Option and that those resources continue to be consistent with the factors reviewed and findings made by the Board in 2005.

Based on all the facts of record, the Legal Division has determined that no regulatory purpose would be served by requiring the Bronfman Group and the Schron Group to file an application under the BHC Act for the proposed exercise of the IDB Option or for the Bronfman Group to consolidate the EMB IDB Trusts into a single entity. The Legal Division, therefore, would not recommend that the Board take action to require a filing of formal application by the Bronfman Group and the Schron Group in connection with the transactions described above.⁵ To the extent your letter serves as a request to extend the time for performing a condition imposed in writing by the Board in connection with its findings and decision on the application filed by the Bronfman and Schron Groups to acquire up to 51 percent of the voting shares of IDB in 2005, the Director of the Division of Banking Supervision and Regulation hereby consents to allow the Bronfman and Schron Groups to exercise the IDB Option.

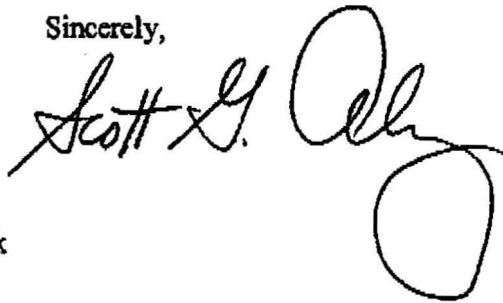
⁴ See 12 U.S.C. § 1842.

⁵ You have represented that the parties to the proposed transaction either have received other regulatory approvals required by the proposed transaction or have confirmed that no regulatory approval is required in connection with the proposed transaction, including by the Government of Israel.

This opinion is based on the specific facts and representations in your letter and in communications with Board staff, and any change in the facts or representations should be communicated immediately to Board staff and could result in a different conclusion. This opinion also is limited to the exercise of the IDB Option and the consolidation of the EMB IDB Trusts, and it does not apply to any other transaction. In addition, this letter should not be construed as granting relief from any other conditions or commitments to which the Bronfman and Schron Groups may be subject.

If you have any questions regarding this matter, please contact Claudia von Pervieux of my staff at (202) 452-2552.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott G. O'Leary". The signature is written in a cursive style with a large, prominent loop at the end.

cc: Federal Reserve Bank of New York
Bank of Israel
New York Department of Banking