

MAGIC SOFTWARE ENTERPRISES LTD  
Form 6-K  
August 03, 2009

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**F O R M 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the month of August 2009**

**MAGIC SOFTWARE ENTERPRISES LTD.**

(Name of Registrant)

**5 HaPlada Street, Or-Yehuda, Israel 60218**

(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

**Form 20-F [X]**

**Form 40-F [ ]**

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):  [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):  [ ]

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  [ ]      No  [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

**This Form 6-K is being incorporated by reference into the Registrant's Registration Statements on Form S-8, File Nos. 333-13270, 333-11220, 333-1946, 333-10794, 333-113552, 333-132221 and 333-149553.**

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGIC SOFTWARE ENTERPRISES LTD.

(Registrant)

By /s/Amit Birk

Amit Birk  
*VP, General Counsel and Corporate Secretary*

Date: August 3, 2009

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**EXHIBITS**

Exhibit 99.1

Magic Software Enterprises Ltd. Form of Proxy Statement for Annual  
3, 2009.

General Meeting to be held September

Exhibit 99.2

Magic Software Enterprises Ltd. Form of Proxy Card.

6486346.2

**EXHIBIT 99.1**

**MAGIC SOFTWARE ENTERPRISES LTD.**

5 HaPlada Street, Or Yehuda 60218, Israel

**NOTICE OF 2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Magic Software Enterprises Ltd. Shareholders:

We cordially invite you to attend the Annual General Meeting of Shareholders of Magic Software Enterprises Ltd., to be held at 10:00 a.m. (Israel time) on Thursday, September 3, 2009, at our offices at 5 HaPlada Street, Or Yehuda 60218, Israel, for the following purposes:

1.  
To reelect four directors for terms expiring at our 2010 Annual General Meeting of Shareholders;

2.  
To reelect an outside director for a second three-years term;

3.  
To ratify and approve the reappointment of Kost Forer Gabbay & Kasierer, registered public accountants, a member firm of Ernst & Young Global, as our independent registered public accounting firm for the year ending December 31, 2009; and

4.  
To review and discuss our auditor's report and consolidated financial statements for the year ended December 31, 2008.

The Board of Directors recommends that you vote in favor of all of the proposals, which are described in the attached Proxy Statement.

Shareholders of record at the close of business on July 27, 2009 are entitled to notice of and to vote at the Meeting. You can vote by proxy either by mail or in person. If voting by mail, the proxy must be received by our transfer agent or at our registered office in Israel at least 48 hours prior to the meeting to be validly included in the tally of ordinary shares voted at the meeting. If you attend the meeting, you may vote in person and your proxy will not be used. Detailed proxy voting instructions are provided both in the Proxy Statement and on the enclosed proxy card.

Sincerely,

Guy Bernstein

Chairman of the Board of Directors

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**MAGIC SOFTWARE ENTERPRISES LTD.**

5 HaPlada Street, Or Yehuda 60218, Israel

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**PROXY STATEMENT**

**2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Magic Software Enterprises Ltd. to be voted at the 2009 Annual General Meeting of Shareholders, or the Meeting, and at any adjournment thereof, pursuant to the accompanying Notice of 2009 Annual General Meeting of Shareholders. The Meeting will be held at 10:00 a.m. (Israel time) on Thursday, September 3, 2009, at our offices at 5 HaPlada Street, Or Yehuda 60218, Israel.

This Proxy Statement, the attached Notice of 2009 Annual General Meeting and the enclosed proxy card are being mailed to shareholders on or about July 30, 2009.

### Purpose of the Annual General Meeting

At the Meeting, shareholders will be asked to vote upon the following matters: (i) reelection of four directors for terms expiring at our 2010 Annual General Meeting of Shareholders; (ii) reelection of an outside director for a second three-year term; and (iii) ratification and approval of the appointment of Kost Forer Gabbay & Kasierer, registered public accountants, a member firm of Ernst & Young Global, as our independent registered public accounting firm for the year ending December 31, 2009. In addition, our auditor's report and consolidated financial statements for the year ended December 31, 2008 will be reviewed and discussed at the Meeting.

### Recommendation of the Board of Directors

Our Board of Directors recommends a vote FOR each of the nominees for director and outside director listed in this Proxy Statement and FOR all of the other proposals set forth in this Proxy Statement.

### Proxy Procedure

Only holders of record of our ordinary shares, par value of NIS 0.1 per share, as of the close of business on July 27, 2009 are entitled to notice of, and to vote in person or by proxy at the Meeting. As of July, 27, 2009, the record date for determination of shareholders entitled to vote at the Meeting, there were 31,893,880 outstanding ordinary shares.

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**Voting in Person.** If your shares are registered directly in your name with our transfer agent (i.e. you are a registered shareholder), you may attend and vote in person at the Meeting. If you are a beneficial owner of shares registered in the name of your broker, bank, trustee or nominee (in street name), you are also invited to attend the meeting; however, to vote in person at the Meeting as a beneficial owner, you must first obtain a legal proxy from your broker, bank, trustee or nominee authorizing you to do so.

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**Voting by Mail.** You may submit your proxy by mail by completing, signing and mailing the enclosed proxy card in the enclosed, postage-paid envelope, or, for shares held in street name, by following the voting instructions provided by your broker, bank trustee or nominee. If directions are not given or directions are not in accordance with the options listed on a proxy card, such shares will be voted FOR the nominees for director and each proposal for which the Board of Directors recommends a vote FOR.

### Change or Revocation of Proxy

If you are a registered stockholder, you may change your vote at any time prior to the exercise of authority granted in the proxy by delivering a written notice of revocation to our Corporate Secretary, by granting a new proxy bearing a later date using, or by attending the Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

If your shares are held in street name, you may change your vote by submitting new voting instructions to your broker, bank, trustee or nominee or, if you have obtained a legal proxy from your broker, bank, trustee or nominee giving you the right to vote your shares, by attending the Meeting and voting in person.

### Quorum

A quorum of shareholders is necessary to transact business at the Meeting. The presence of two shareholders, holding at least one-third of our share capital voting rights, represented in person or by proxy at the Meeting, will constitute a

quorum. If there is not a legal quorum within half an hour of the scheduled time of the Meeting, the Meeting will be adjourned to the same day in the following week at the same time and place or to any other time and place as the chairman of the board of directors may determine with the consent of a majority of the voting power present at the Meeting, in person or by proxy, and voting on the question of adjournment. At the reconvened Meeting, the presence of at least two shareholders, represented in person or by proxy, will constitute a quorum. This notice shall serve as notice of such reconvened meeting if no quorum is present at the original date and time and no further notice of the reconvened meeting will be given to shareholders.

Abstentions and broker non-votes will be counted towards the quorum. Broker non-votes occur when brokers that hold their customers' shares in street name sign and submit proxies for such shares and vote such shares on some matters but not on others. This would occur when brokers have not received any instructions from their customers, in which case the brokers, as the holders of record, are permitted to vote on routine matters, which include the election of directors and the ratification of the appointment of an independent registered public accounting firm, but not on non-routine matters.

Unsigned or unreturned proxies, including those not returned by banks, brokers, or other record holders, will not be counted for quorum or voting purposes.

#### Majority Vote Standard

Each ordinary share entitles the holder to one vote. An affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting thereon, is required to approve each of the proposals, except as otherwise stated in proposal 3.

In tabulating the voting result for any particular proposal, shares that constitute broker non-votes and abstentions are not considered votes cast on that proposal. Unsigned or unreturned proxies, including those not returned by banks, brokers, or other record holders, will not be counted for voting purposes.

We have received indications from our principal shareholder, Formula Systems (1985) Ltd., or Formula Systems, which holds approximately 58.2% of our issued and outstanding ordinary shares, that it presently intends to vote for all of the nominees for director and outside director and in favor of all of the other proposals to be acted upon at the Meeting.

#### Cost of Soliciting Votes for the Annual Meeting

We will bear the cost of soliciting proxies from our shareholders. Proxies will be solicited by mail and may also be solicited in person, by telephone or electronic communication, by our directors, officers and employees. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in accordance with the regulations of the Securities and Exchange Commission, or the SEC, concerning the sending of proxies and proxy material to the beneficial owners of our stock.

### **ELECTION OF DIRECTORS**

#### *(Item 1 on the Proxy Card)*

Our articles of association provide that we may have no less than three and no more than 11 directors, as may be determined from time to time at a general meeting of shareholders. Our Board of Directors currently consists of seven directors, including two outside directors appointed in accordance within the Israeli Companies Law. Our directors, other than the outside directors, are elected at each annual general meeting of shareholders. All the members of our Board of Directors may be reelected upon completion of their term of office (except the outside directors, whose reelection is governed by the Israeli Companies Law and regulations promulgated under the Israeli



Companies Law).

We are presenting four nominees for reelection as directors at the Meeting: Guy Bernstein, Eli Reifman, Naamit Salomon and Yehezkel Zeira. They are to hold office for one year until the 2010 Annual General Meeting and until their successors are elected and qualified. Each nominee is currently serving as a member of our Board of Directors.

As a controlled company, within the meaning of NASDAQ Marketplace Rules, we are exempt from the NASDAQ Marketplace Rules requirement that a majority of a company's board of directors must qualify as independent directors within the meaning of the NASDAQ Marketplace Rules. We are also exempt from the NASDAQ Marketplace Rules requirement regarding the process for the nomination of directors; instead, we follow Israeli law and practice in accordance with which directors are elected by the shareholders, unless otherwise provided in a company's articles of association. Our articles of association do not provide otherwise. Our practice has been that our director nominees are presented in our proxy statement for election at our annual meetings of shareholders.

We are not aware of any reason why any of the nominees, if elected, would be unable or unwilling to serve as a director. In the event that any of such nominees would be unable to serve, the proxies will be voted for the election of such other person or persons as shall be designated by the Board of Directors. We do not have any understanding or agreement with respect to the future election of any of the nominees named.

Set forth below is information about each nominee, including age, position(s) held with our company, their present principal occupation or employment, business history and other directorships held. For details about beneficial ownership of our shares held by any of these nominees, see below under the title Security Ownership of Certain Beneficial Owners and Management.

#### **Nominees For Election As Director For Terms Expiring In 2010**

***Guy Bernstein (41)*** has served as the chairman of our board of directors since April 2008 and as a board member since January 2007. Mr. Bernstein has served as the chief executive officer of Formula Systems, our parent company, since January 2008. Since December 2006, Mr. Bernstein has served as a director and the chief executive officer of Emblaze Ltd., or Emblaze, our controlling shareholder. Mr. Bernstein also serves as a director of Sapiens International Corporation N.V., or Sapiens, and is the chairman of the board of directors of Matrix IT Ltd, both of which are subsidiaries of Formula Systems. From April 2004 to December 2006, Mr. Bernstein served as the chief financial officer of Emblaze and he has served as a director of Emblaze since April 2004. Prior thereto and from 1999, Mr. Bernstein served as our chief financial and operations officer. Prior to joining our company, Mr. Bernstein was at Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, where he acted as senior manager from 1994 to 1997. Mr. Bernstein holds a B.A. degree in accounting and economics from Tel Aviv University and is a certified public accountant (CPA) in Israel.

***Eli Reifman (40)*** has served as a director of our company since January 2007. In 1994, Mr. Reifman co-founded Emblaze and has served as its President since December 2006. Mr. Reifman serves as a director of Emblaze and Sapiens. Mr. Reifman served as the chief executive officer of Emblaze from September 2000 until December 2006. Before founding Emblaze, Mr. Reifman was the head of the Technical Development Department and acting head of all production in the Training Development Center of the Israeli Defense Forces, where he was responsible for producing high-end military simulators. In parallel to his business activities, Mr. Reifman is a regular lecturer at BA and MBA courses to Israeli and international students and is involved with promoting social education agenda in Israel via his involvement in various nonprofit organizations.

***Naamit Salomon(44)*** has served as director of our company since March 2003. Ms. Salomon has served as chief financial officer of Formula Systems since August 1997. Ms. Salomon serves as a director of Sapiens of the Formula group. From 1990 through August 1997, Ms. Salomon served as the controller of two large privately held companies in the Formula group. Ms. Salomon holds a B.A. degree in economics and business administration from Ben Gurion

University and an L.L.M. degree from Bar-Ilan University.

*Yehezkel Zeira (65)* has served as a director of our company since December 2005 and is a member of our audit committee. Mr. Zeira has served as an independent information technologies consultant since 2001. From 2000 to 2001, Mr. Zeira served as executive vice president international of Ness Technologies Inc., and from 1970 to 2000, Mr. Zeira served in various positions at Advanced Technology Ltd., including as chief executive officer which position he assumed in 1982. Mr. Zeira also serves as a director of Tim Computer Systems Ltd. and Dafron Ltd. Mr. Zeira is also a lecturer at Ben Gurion University Faculty of Engineering. Mr. Zeira holds a B. Sc. degree in industrial engineering and an M. Sc. degree in operations research, both from the Technion - Israel Institute of Technology and has participated in the Harvard Business School program for management development.

Under the Israeli Companies Law, the affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting on the matter, is required to elect as directors the nominees named above.

**The Board of Directors recommends a vote FOR the election of each of the nominees named above.**

### **Director Continuing in Office**

Biographical information concerning the director continuing in office follows for informational purposes only.

*Elan Penn (58)* has served as an outside director of our company (within the meaning of the Israeli Companies Law) since December 2005 and is a member of our audit committee. Mr. Penn was elected as an outside director for a second three-year term as of December 29, 2008 and expiring on December 29, 2011. Mr. Penn has served as chief executive officer and chairman of Penn Publishing Ltd., a private company based in Tel Aviv, Israel since 2001.

From 2000 to 2001, Mr. Penn served as vice president of finance and administration of A.I. Research and Development Ltd. Mr. Penn served as chief executive officer of Sivan Computer Training Company Ltd. during the years 1998 through 2000. From 1992 to 2000, Mr. Penn served as vice president of finance and administration of Mashov Computers Ltd. From 1987 to 1991 and again from 1992 to 1997, Mr. Penn served as our company's vice president of finance and administration. Mr. Penn also serves as a director of Telcoor Telekom Ltd. Mr. Penn holds a B.A. degree in economics from the Hebrew University of Jerusalem and a Ph.D. in management science from the University of London.

## **BOARD OF DIRECTORS AND COMMITTEES**

### **Board of Directors**

According to the Israeli Companies Law and our Articles of Association, the management of our business is vested in our board of directors. The board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders. Our executive officers are responsible for our day-to-day management. The executive officers have individual responsibilities established by our board of directors. Executive officers are appointed by and serve at the discretion of the board of directors, subject to any applicable agreements.

Our articles of association provide for a board of directors consisting of no less than three and no more than 11 members or such other number as may be determined from time to time at a general meeting of shareholders.

Pursuant to our articles of association, all of our directors are elected at our annual general meeting of shareholders, which are required to be held at least once during every calendar year and not more than 15 months after the last preceding meeting. Except for our outside directors (as described below), our directors are elected by a vote of the holders of a majority of the voting power represented and voting at such meeting and hold office until the next annual meeting of shareholders following the annual meeting at which they were appointed. Directors (other than outside directors) may be removed earlier from office by resolution passed at a general meeting of our shareholders. Our

board of directors may temporarily fill vacancies in the board until the next annual meeting of shareholders, provided that the total number of directors will not exceed the maximum number permitted under our articles of association.

Under the Israeli Companies Law, our board of directors is required to determine the minimum number of directors who must have accounting and financial expertise, as such term is defined in regulations promulgated under the Israeli Companies Law. In determining such number, the board of directors must consider, among other things, the type and size of the company and the scope of and complexity of its operations. Our board of directors has determined that at least one director must have accounting and financial expertise, within the meaning of the regulations promulgated under the Israeli Companies Law.

As a controlled company, within the meaning of NASDAQ Marketplace Rules, we rely on the exemption provided to controlled companies with respect to the NASDAQ requirement regarding the nomination process of directors, and instead, follow Israeli law and practice, in accordance with which directors may be recommended by our board of directors for election by our shareholders.

### **Outside Directors and Independent Directors**

*Outside Directors.* The Israeli Companies Law requires companies incorporated under the laws of the State of Israel with shares that have been offered to the public in or outside of Israel to appoint at least two outside directors. No person may be appointed as an outside director if the person or the person's relative, partner, employer or any entity under the person's control has or had, on or within the two years preceding the date of the person's appointment to serve as outside director, any affiliation with the company or any entity controlling, controlled by or under common control with the company. The term affiliation includes an employment relationship, a business or professional relationship maintained on a regular basis, control and service as an office holder as defined in the Israeli Companies Law (however, affiliation does not include service as a director of a private company prior to its first public offering if the director was appointed to such office for the purpose of serving as an outside director following the company's first public offering).

In addition, no person may serve as an outside director if the person's position or other activities create or may create a conflict of interest with the person's responsibilities as an outside director or may otherwise interfere with the person's ability to serve as an outside director. If, at the time outside directors are to be appointed, all current members of the board of directors are of the same gender, then at least one outside director must be of the other gender.

At least one of the outside directors must have accounting and financial expertise and the other outside directors must have professional expertise, as such terms are defined by regulations promulgated under the Israeli Companies Law.

The outside directors are elected by a majority vote at a shareholders meeting. The shareholders voting in favor of their election must include at least one-third of the shares of the non-controlling shareholders of the company who voted on the matter (not including abstentions). This minority approval requirement need not be met if the total shareholdings of those non-controlling shareholders who vote against their election represent 1% or less of all of the voting rights in the company.

In general, outside directors serve for a three-year term and may be reelected to one additional three-year term. However, Israeli companies listed on certain stock exchanges outside Israel, including The NASDAQ Global Market, such as our company, may appoint an outside director for additional terms of not more than three years subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the outside director for an additional term is in the best interest of the company.

Outside directors may be removed from office only by the same percentage of shareholders as is required for their election, or by a court, and then only if the outside directors cease to meet the statutory qualifications for their

appointment, violate their duty of loyalty to the company or are found by a court to be unable to perform his or hers duties on a full time basis. Outside directors may also be removed by the court if they are found guilty of bribery, fraud, administrative offenses or use of inside information.

Each committee of the board of directors must include at least one outside director and the audit committee must be comprised of at least three directors and include all the outside directors. An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

Until the lapse of two years from termination of office, we may not engage an outside director to serve as an office holder and cannot employ or receive services from that person, either directly or indirectly, including through a corporation controlled by that person.

*Independent Directors.* NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members and only of independent directors each of whom satisfies the respective independence requirements of the Securities and Exchange Commission and NASDAQ.

As a controlled company, within the meaning of NASDAQ Marketplace Rules, we are exempt from the NASDAQ Marketplace Rule which requires that a majority of our board of directors must qualify as independent directors, within the meaning of the NASDAQ Marketplace Rules.

Pursuant to a recent amendment to the Israeli Companies Law, an Israeli company whose shares are publicly traded may elect to adopt a provision in its articles of association pursuant to which a majority of its board of directors will constitute individuals complying with certain independence criteria prescribed by the Israeli Companies Law. We have not included such a provision in our articles of association.

Our Board of Directors has determined that Messrs. Itiel Efrat and Mr. Elan Penn both qualify as independent directors under the Securities and Exchange Commission and NASDAQ requirements and as outside directors under the Israeli Companies Law requirements. Our Board of Directors has further determined that Mr. Yehezkel Zeira qualifies as an independent director under the Securities and Exchange Commission and NASDAQ requirements.

### **Committees of the Board of Directors**

*Audit Committee.* Our audit committee, established in accordance with Section 114 of the Israeli Companies Law and Section 3(a)(58)(A) of the Securities Exchange Act of 1934, assists our board of directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent public accountants qualifications and independence, the performance of our internal audit function and independent public accountants, finding any defects in the business management of our company for which purpose the audit committee may consult with our independent auditors and internal auditor, proposing to the board of directors ways to correct such defects and such other duties as may be directed by our board of directors. The responsibilities of the audit committee also include approving related-party transactions as required by law. Under Israeli law, an audit committee may not approve an action or a transaction with a controlling shareholder, or with an office holder, unless at the time of approval two outside directors are serving as members of the audit committee and at least one of the outside directors was present at the meeting in which an approval was granted.

Our audit committee is currently composed of Messrs. Efrat, Penn and Zeira, each of whom satisfies the respective independence requirements of the Securities and Exchange Commission and NASDAQ. We also comply with Israeli law requirements for audit committee members. Mr. Elan Penn has been elected as the chairperson of the audit committee. Our Board of Directors has determined that Mr. Penn qualifies as a financial expert. The audit committee meets at least once each quarter.

*Option Committee.* Our board of directors has established an option committee, which administers our option plans. Mr. Penn, an outside director, and Ms. Gazit Kaiser, our chief financial officer, are the current members of our option committee.

*Investment Committee.* Our board of directors has established an investment committee, which administers our investments. Mr. Penn, an outside director, Ms. Gazit Kaiser, our chief financial officer, and Ms. Dafna Cohen, the treasurer of Emblaze, our controlling shareholder, are the current members of our investment committee. Our investment committee meets approximately once each quarter.

#### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of July 27, 2009 regarding the beneficial ownership by (i) all shareholders known to us to own beneficially more than 10% of our ordinary shares, (ii) each director and (iii) all directors and executive officers as a group:

Name	Number of Ordinary Shares Beneficially Owned (1)	Percentage of Ownership (1)(2)
Emblaze Ltd. (3)	18,560,352	58.2%
Formula Systems (1985) Ltd. (4)	18,560,352	58.2%
Guy Bernstein	--	--
Gad Goldstein	--	--
Itiel Efrat	--	--
Elan Penn (5)	18,000	(*)
Eli Reifman	--	--
Naamit Salomon (6)	--	--
Yehezkel Zeira (5)	18,000	(*)

All directors and executive officers as a group (eight persons)(7)	61,000	(*)
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(\*) Less than 1%

(1)

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2)

The percentages shown are based on 31,893,880 ordinary shares issued and outstanding as of July 27, 2009.

(3)

Includes 18,560,352 ordinary shares held directly by Formula Systems, which is 58.2% controlled by Emblaze. As such, Emblaze may be deemed to be the beneficial owner of the aggregate 18,560,352 ordinary shares held directly by Formula Systems. The address of Emblaze is 1 Emblaze Square, Industrial Area, Ra'anana 43662, Israel.

(4)

Formula Systems is 50.6% controlled by Emblaze. As such, Emblaze may be deemed to be the beneficial owner of the aggregate 18,560,352 ordinary shares held directly by Formula Systems. The address of Formula Systems is 3 Abba Even Street, Herzliya Pituach, Israel.

(5)

Subject to currently exercisable options granted under our 2000 Stock Option Plan, having an exercise price of \$1.50 per share that expire in 2015.

(6)

Naamit Salomon, an officer of Formula Systems and a director of our company, disclaims beneficial ownership of the 18,560,352 ordinary shares of our company held by Formula Systems.

(7)

Includes 61,000 ordinary shares subject to currently exercisable options granted under our 2000 Stock Option Plan and 2007 Incentive Compensation Plan, having exercise prices ranging from \$1.11 to \$1.5 per share.

**Executive Compensation**

## Edgar Filing: MAGIC SOFTWARE ENTERPRISES LTD - Form 6-K

The following table sets forth all compensation we paid with respect to all of our directors and executive officers as a group for the year ended December 31, 2008.

	Salaries, fees, commissions and bonuses	Pension, retirement and similar benefits
All directors and executive officers as a group, then consisting of eleven persons	\$1,370,330	\$181,180

During the year ended December 31, 2008, we paid to each of our outside and independent directors an annual fee of approximately \$10,000 and a per-meeting attendance fee of approximately \$530. Those fees are paid based on the fees detailed in a schedule published semi-annually by the Committee for Public Directors under the Israeli Securities Law.

As of December 31, 2008, our directors and executive officers as a group, then consisting of 11 persons, held options to purchase an aggregate of 368,155 ordinary shares, at exercise prices ranging from \$0.80 to \$4.02 per share (after the dividend adjustment), vesting immediately. Of such options, options to purchase 2,779 ordinary shares expire in 2012 and options to purchase 154,376 ordinary shares expire in 2013, options to purchase 36,000 ordinary shares expire in 2015 and options to purchase 175,000 ordinary shares expire in 2017. All such options were granted under our 2000 Stock Option Plan and 2007 Incentive Compensation Plan.

### **ELECTION OF OUTSIDE DIRECTOR**

*(Item 2 on the Proxy Card)*

Under the Israeli Companies Law, companies incorporated under the laws of the State of Israel whose shares have been offered to the public are required to appoint at least two outside directors. The Israeli Companies Law provides that a person may not be appointed as an outside director if the person, or the person's relative, partner, employer or an entity under that person's control, has or had during the two years preceding the date of appointment any affiliation with the company, or any entity controlling, controlled by or under common control with the company. The term "relative" means a spouse, sibling, parent, grandparent, child or child of spouse or spouse of any of the above. The term "affiliation" includes an employment relationship, a business or professional relationship maintained on a regular basis, control and service as an office holder, as defined in the Israeli Companies Law (excluding service as an outside director of a company that is offering its shares to the public for the first time).

In addition, no person may serve as an outside director if the person's position or other activities create, or may create, a conflict of interest with the person's responsibilities as director or may otherwise interfere with the person's ability to serve as director. If, at the time an outside director is appointed all members of the board of directors are of the same gender, then that outside director must be of the other gender. A director of one company may not be appointed as an outside director of another company if a director of the other company is acting as an outside director of the first company at such time.

At least one of the outside directors must have accounting and financial expertise and the other outside directors must have professional expertise, as such terms are defined by regulations promulgated under the Israeli Companies Law.

Any committee of the board of directors must include at least one outside director and the audit committee must include all of the outside directors. An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

Outside directors are elected by shareholders by a special majority. In general, outside directors serve for a three-year term, which may be renewed for only one additional three-year term. However, Israeli companies listed on certain stock exchanges outside Israel, including The NASDAQ Global Market, such as our company, may appoint an outside director for additional terms of not more than three years subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the outside director for an additional term is in the best interest of the company. Outside directors may be removed from office only by the same special percentage of shareholders as can elect them, or by a court, and then only if the outside directors cease to meet the statutory qualifications with respect to their appointment or if they violate their duty of loyalty to the company or are found by a court to be unable to perform his or hers duties on a full time basis.

Mr. Elan Penn was reelected to serve as an outside director of our company at our 2008 annual general meeting of shareholders for a second three-year term expiring on December 29, 2011. Mr. Itiel Efrat was elected to serve as an outside director of our company at our 2006 annual general meeting of shareholders for an initial three-year term expiring on December 28, 2009. Accordingly, at the Meeting, shareholders will be asked to reelect Mr. Efrat as an outside director of our company for a second three-year term effective as of the expiration of his initial three-year term on December 28, 2009 and expiring three years thereafter on December 28, 2012.

Our Board of Directors has determined that Mr. Itiel Efrat qualifies as an outside director within the meaning of the Israeli Companies Law. Our Board of Directors has further determined that Mr. Efrat has professional qualification, as such term is defined by regulations promulgated under the Israeli Companies Law.

Set forth below is information about Mr. Efrat, including his principal occupation, business history and any other directorships held.

*Itiel Efrat (45)* has served as an outside director of our company since December 2006 and is a member of our audit committee. Mr. Efrat is the founder and has served as co-managing director of ERB Ltd., a leading financial consulting firm, since 1995. Mr. Efrat was also the founder and is a member of the board of directors of ESOP-Excellence Trust Company since 2004. Mr. Efrat is a certified public accountant (CPA) in Israel and holds a B.A. degree in accounting and economics from Tel-Aviv College of Management.

The election of the nominee for outside director requires the affirmative vote of a majority of ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting on the matter, provided that either (i) the shares voting in favor of such resolution include at least one-third of the shares of non-controlling shareholders who vote on the matter (excluding the vote of abstaining shareholders), or (ii) the total shareholdings of the non-controlling shareholders who vote against such proposal do not represent more than 1% of the voting rights in our company.

We are not aware of any reason why the nominee, if elected, would be unable or unwilling to serve as an outside director. In the event that the named nominee for outside director would be unable to serve, the proxies will be voted for the election of such other person as shall be nominated by our Board of Directors.

**The Board of Directors recommends a vote FOR the election of the nominee for outside director.**

**RATIFICATION AND APPROVAL OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**



*(Item 3 on the Proxy Card)*

Our Board of Directors first appointed Kost Forer Gabbay & Kasierer, registered public accounting firm, a member firm of Ernst & Young Global, as our independent auditors in 1983. They served as our auditors until 1999 and were re-engaged to act as our independent auditors again beginning with the fiscal year ended December 31, 2001 and have served as our independent auditors since such time.

At the Meeting, shareholders will be asked to ratify and approve the re-appointment of Kost Forer Gabbay & Kasierer as our registered independent public accounting firm for the fiscal year ending December 31, 2009, pursuant to the recommendation of our Audit Committee and Board of Directors.

In accordance with applicable law and our Articles of Association, our Audit Committee determines the remuneration of Kost Forer Gabbay & Kasierer according to the volume and nature of their services. With respect to fiscal year 2008, we paid Kost Forer Gabbay & Kasierer approximately \$179,000 for audit services, approximately \$10,000 for audit-related services and approximately \$27,000 for tax related services.

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

RESOLVED, that the appointment of Kost Forer Gabbay & Kasierer, registered public accounting firm, a member of Ernst & Young Global, as the independent registered public accountants of Magic Software Enterprises Ltd. to conduct the annual audit of its financial statements for the year ending December 31, 2009, be and hereby is approved.

The affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting on the matter, is required to approve the foregoing resolution.

**The Board of Directors recommends a vote FOR the foregoing resolution.**

**REVIEW AND DISCUSSION OF AUDITOR S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

At the Meeting, our auditor s report and consolidated financial statements for the year ended December 31, 2008 will be presented. We will hold a discussion with respect to the financial statements at the Meeting. This item will not involve a vote of the shareholders.

Our annual report on Form 20-F for the year ended December 31, 2008, including the auditor s report and our audited consolidated financial statements, which was filed with the Securities and Exchange Commission on April 2, 2009, is available on our website at [www.magicsoftware.com](http://www.magicsoftware.com) or through the EDGAR website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). Shareholders may receive a hard copy of the annual report on Form 20-F containing the consolidated financial statements free of charge upon request. None of the auditor s report, consolidated financial statements, the Form 20-F or the contents of our website form part of the proxy solicitation material.

By Order of the Board of Directors,

Amit Birk

Corporate Secretary

Dated: July 27, 2009

**EXHIBIT 99.2**

**MAGIC SOFTWARE ENTERPRISES LTD.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Guy Bernstein and Amit Birk, or either of them, attorneys or attorney of the undersigned, for and in the name(s) of the undersigned, with power of substitution and revocation in each to vote any and all ordinary shares, par value NIS 0.1 per share, of Magic Software Enterprises Ltd. (the "Company"), which the undersigned would be entitled to vote as fully as the undersigned could if personally present at the Annual General Meeting of Shareholders of the Company to be held on September 3, 2009 at 10:00 a.m. (Israel time) at the offices of the Company, 5 HaPlada Street, Or Yehuda 60218, Israel, and at any adjournment or adjournments thereof, hereby revoking any prior proxies to vote said shares, upon the following items of business more fully described in the notice of and proxy statement for such Annual General Meeting (receipt of which is hereby acknowledged):

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS SPECIFIED. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR (i) THE ELECTION OF THE NOMINEES FOR DIRECTOR**

**(Continued and to be signed on the reverse side)**

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**ANNUAL GENERAL MEETING OF SHAREHOLDERS OF**

**MAGIC SOFTWARE ENTERPRISES LTD.**

**September 3, 2009**

**Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.**

**Please detach along perforated line and mail in the envelope provided.**

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR AND OUTSIDE DIRECTOR AND FOR PROPOSAL 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]

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(1)

To reelect four directors for terms expiring at our 2010 Annual General Meeting of Shareholders.

FOR    AGAINST    ABSTAIN

Guy Bernstein

              

Eli Reifman

              

Naamit Salomon

              

Yehezkel Zeira

              

(2)

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To reelect Itiel Efrat as an outside director for a second three-year term effective as of the expiration of his initial three-year term on December 28, 2009 and expiring on December 28, 2012.

**FOR**

**AGAINST**

**ABSTAIN**

(3)

To ratify and approve the reappointment of Kost Forer Gabbay & Kasierer, registered public accountants, a member firm of Ernst & Young Global, as our independent registered public accounting firm for the year ending December 31, 2009.

**FOR**

**AGAINST**

**ABSTAIN**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder \_\_\_\_\_ Date \_\_\_\_\_ Signature of Shareholder \_\_\_\_\_ Date \_\_\_\_\_

**Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.**

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