

ABRAXAS PETROLEUM CORP
Form DEF 14A
April 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

ABRAXAS PETROLEUM CORPORATION

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

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

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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ABRAXAS PETROLEUM CORPORATION

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

April 3, 2017

Dear Stockholders:

You are invited to attend the 2017 Annual Meeting of Stockholders of Abraxas Petroleum Corporation to be held on May 9, 2017, at 9:00 a.m., local time, at our corporate office located at 18803 Meisner Drive, San Antonio, Texas 78258. We hope that you will be able to attend the meeting. Matters on which action will be taken at the meeting are explained in detail in the notice and proxy statement following this letter.

The annual report, notice of Annual Meeting, proxy statement and proxy card are enclosed. Proxy cards are being solicited on behalf of our Board of Directors.

Regardless of whether you plan to attend the Annual Meeting, we hope you will read the attached proxy statement carefully and vote your shares by promptly submitting a proxy by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided or by submitting your proxy by telephone or the Internet as soon as possible. Instructions regarding telephone and Internet voting are included on the proxy card or voting instruction form (or, if applicable, your electronic delivery notice). Choosing one of these voting options ensures your representation at the Annual Meeting regardless of whether you attend in person.

If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Morrow Sodali LLC toll free at (800) 662-5200.

Thank you for your continued support of Abraxas Petroleum Corporation.

Robert L.G. Watson

Chairman of the Board, President,

and Chief Executive Officer

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ABRAXAS PETROLEUM CORPORATION

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 9, 2017

To the Stockholders of Abraxas Petroleum Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Abraxas Petroleum Corporation (Abraxas or the Company) will be held at our corporate office located at 18803 Meisner Drive, San Antonio, Texas 78258, on May 9, 2017, at 9:00 a.m., local time, for the following purposes:

- (1) To elect as directors to the Abraxas Board of Directors the three nominees named below for a term of three years:

Robert L. G. Watson

Ralph F. Cox

Dennis E. Logue

- (2) To ratify the appointment of BDO USA, LLP as Abraxas independent registered public accounting firm for the year ending December 31, 2017;
- (3) To approve amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan to increase the total number of shares of common stock authorized for issuance under the plan from 10,600,000 to 12,600,000 and to change the acceleration of the vesting of awards under the plan upon a change of control of the Company;
- (4) To approve an amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan to increase the total number of shares of common stock authorized for issuance under the plan from 1,900,000 to 2,900,000;

- (5) To approve an amendment to the Company's Articles of Incorporation to increase the Company's authorized shares of common stock from 200,000,000 shares to 400,000,000 shares;
- (6) To approve, on an advisory basis, the compensation of the Company's named executive officers;
- (7) To approve, on an advisory basis, the frequency of future advisory votes on executive compensation;
- (8) To postpone or adjourn, if necessary or appropriate, the Annual Meeting to a later time to solicit additional proxies in favor of Proposals 2 through 6 and for one year for Proposal 7; and
- (9) To transact any other business that has been properly brought before the meeting in accordance with the provisions of the Company's Amended and Restated Bylaws.

Your Board recommends that you vote FOR the nominees named in Proposal 1, FOR Proposals 2, 3, 4, 5, 6 and 8 and FOR One Year for Proposal 7.

We invite you to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, we urge you to mark, sign, date, and return the enclosed proxy card in the envelope provided or vote by telephone or over the Internet as soon as possible. If you are a beneficial holder, you may also vote your shares by telephone or the Internet using the instructions on each proxy card. You may revoke your proxy at any time prior to the Annual Meeting, and, if you attend the Annual Meeting, you may vote your shares of Abraxas common stock in person.

The Board of Directors has fixed the close of business on March 15, 2017 as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. Only stockholders of record at the close of business on March 15, 2017 will be entitled to vote at the Annual Meeting

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and any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our offices, 18803 Meisner Drive, San Antonio, Texas 78258 for 10 days prior to the Annual Meeting. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

All stockholders are cordially invited to attend the Annual Meeting. If you have any questions about the attached proxy or require assistance in voting your shares on the proxy card or voting instruction form, or need additional copies of the Company's proxy materials, please contact the firm assisting us in the solicitation of proxies, Morrow Sodali LLC, toll free at (800) 662-5200.

By Order of the Board of Directors,

Stephen T. Wendel

SECRETARY

San Antonio, Texas

April 3, 2017

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held May 9, 2017

This proxy statement and our 2016 Annual Report on Form 10-K are

available at www.proxydocs.com/AXAS, which does not have cookies that identify visitors to the site.

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor at the contact listed below:

470 West Avenue

Stamford, Connecticut 06902

(203) 658-9400 (Call Collect)

or

Call Toll-Free (800) 662-5200

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ABRAXAS PETROLEUM CORPORATION

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

PROXY STATEMENT

The Board of Directors of Abraxas Petroleum Corporation (Abraxas or the Company) is soliciting proxies to vote shares of common stock at the 2017 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on May 9, 2017, at Abraxas Petroleum Corporation located at 18803 Meisner Drive, San Antonio, Texas 78258, and at any adjournment thereof. This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 3, 2017. For ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose relevant to the Annual Meeting during regular business hours at Abraxas executive offices, located at the address set forth above. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

Record Date; Shares Entitled To Vote; Quorum

The Board of Directors has fixed the close of business on March 15, 2017 as the record date for Abraxas stockholders entitled to notice of and to vote at the Annual Meeting. Only holders of common stock as of the record date are entitled to vote at the Annual Meeting. As of the record date, there were 163,844,255 shares of Abraxas common stock outstanding, which were held by approximately 990 holders of record. Stockholders are entitled to one vote for each share of Abraxas common stock held as of the record date.

The holders of a majority of the outstanding shares of Abraxas common stock issued and entitled to vote at the Annual Meeting must be present in person or by proxy to establish a quorum for business to be conducted at the Annual Meeting. Abstentions and broker non-votes are treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

A broker non-vote occurs when you fail to provide your broker with voting instructions and the broker does not have the discretionary authority to vote your shares on a particular proposal because the proposal is not a routine matter under New York Stock Exchange rules. A broker non-vote may also occur if your broker fails to vote your shares for any reason. Brokers cannot vote on their customers behalf on non-routine proposals such as Proposals One, Three, Four, Six and Seven. Because brokers require their customers direction to vote on such non-routine matters, it is critical that stockholders provide their brokers with voting instructions. Proposal Two, ratification of the appointment of our independent registered public accounting firm, Proposal Five, the amendment of our articles of incorporation to increase the number of authorized shares of Common Stock, and Proposal Eight, the postponement or adjournment of the Annual Meeting, will be routine matters for which your broker does not need your voting instruction in order to vote your shares.

Votes Required

The votes required for each proposal is as follows:

Election of Directors. Each share of our Common Stock is entitled to one vote with respect to the election of directors. The nominees for director who receive the most votes will be elected. Therefore, if you do not vote for a particular nominee or you indicate `withhold authority to vote` for a particular nominee on your proxy card, your vote will have no effect on the election of directors. To be elected, each director must receive a plurality of the votes cast at the meeting. Broker non-votes are not considered votes cast `for` or `against` this proposal and will have no effect on the approval to elect directors.

If you sign and submit your proxy card or voting instruction form without specifying how you would like your shares voted, your shares will be voted FOR the Board's recommendations specified below under Proposal One-Election of Directors, and in accordance with the discretion of the proxy holders with respect to any other matters that

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may be voted upon at the Annual Meeting. Should the Company lawfully identify or nominate substitute or additional nominees before the Annual Meeting, we will file supplemental proxy material that identifies such nominee(s), discloses whether such nominee(s) has (have) consented to being named in the proxy material and to serve if elected and includes the relevant required disclosures with respect to such nominee(s).

The Board of Directors recommends a vote FOR each of its nominees on the proxy card.

Appointment of Independent Registered Public Accounting Firm. Each share of our Common Stock is entitled to one vote with respect to the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm. The affirmative vote of holders of a majority of the shares of Common Stock present at the Annual Meeting in person or represented by proxy and entitled to vote on the matter will be considered to determine the outcome of this proposal. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares. The outcome of this proposal is advisory in nature and is non-binding.

The Board of Directors recommends a vote FOR the ratification of the selection of BDO USA, LLP, as Abraxas independent registered public accounting firm for the fiscal year ending December 31, 2017.

Approval of amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan. Each share of our Common Stock is entitled to one vote with respect to the approval of the amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan, which we refer to as the LTIP. The affirmative vote of a majority of the votes cast, in person or by proxy, will be considered to determine the outcome of this proposal. Abstentions from voting and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares.

The Board of Directors recommends a vote FOR the approval of the amendments to the LTIP.

Approval of an amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan. Each share of our Common Stock is entitled to one vote with respect to the approval of the amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan, which we refer to as the Directors Plan. The affirmative vote of a majority of the votes cast, in person or by proxy, will be considered to determine the outcome of this proposal. Abstentions from voting and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares.

The Board of Directors recommends a vote FOR the approval of the amendment to the Directors Plan.

Increase in Authorized Shares. Each share of our Common Stock is entitled to one vote with respect to the approval of an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue from 200,000,000 shares to 400,000,000 shares. The affirmative vote of holders of a majority of the outstanding shares of Common Stock is necessary to approve this item. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares.

The Board of Directors recommends a vote FOR the approval of an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue.

Advisory Vote on Executive Compensation. Each share of our Common Stock is entitled to one vote with respect to the approval, in a non-binding, advisory vote, of the compensation of our named executive officers. The affirmative vote of holders of a majority of the shares of Common Stock present at the Annual Meeting in person or represented by proxy and entitled to vote on the matter will be considered to determine the outcome of this proposal. Abstentions from voting will have the same effect as a vote against this proposal, and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

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The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers.

Advisory Vote on Frequency of Future Advisory Votes on Named Executive Officer Compensation. Each share of our Common Stock is entitled to one vote with respect to the approval, in a non-binding, advisory vote, of the frequency of future advisory votes on named executive officer compensation. The option (one year, two years or three years) that receives the highest number of votes cast will be deemed the preferred option of our stockholders. Abstentions and broker non-votes will have no effect on the outcome of the vote. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

The Board of Directors recommends a vote FOR the approval of ONE YEAR on the proposal determining the frequency of future advisory votes on named executive officer compensation.

Postponement or Adjournment of the Annual Meeting. Each share of our Common Stock is entitled to one vote with respect to the approval of the postponement or adjournment, if necessary or appropriate, of the Annual Meeting. Assuming the presence of a quorum, the affirmative vote of holders of a majority of the outstanding shares of Common Stock present at the Annual Meeting in person or by proxy and entitled to vote on the matter is necessary to approve the adjournment or postponement of the Annual Meeting. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares.

The Board of Directors recommends a vote FOR the proposal to postpone or adjourn the Annual Meeting.

Voting of Proxies

If you are a stockholder whose shares are registered in your name, you may vote your shares by one of the following three methods:

Vote by Internet, by going to the web address www.proxyvoting.com/axas and following the instructions for Internet voting shown on the enclosed proxy card.

Vote by Telephone, by dialing (800) 730-7360 and following the instructions for telephone voting shown on the enclosed proxy card.

Vote by Proxy Card, by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. If you vote by Internet or telephone, please do not mail your proxy card.

The deadline for voting electronically through the Internet or by telephone is 11:59 p.m., Eastern Time, on May 8, 2017.

If your shares are held in street name (through a broker, bank or other nominee), you may receive a separate voting instruction form with this proxy statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or telephone.

PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU WILL NOT BE PERMITTED TO VOTE IN PERSON AT THE MEETING UNLESS YOU FIRST OBTAIN A LEGAL PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER.

The proxies identified on the proxy card will vote the shares of which you are stockholder of record in accordance with your instructions. If you sign and return your proxy card without giving specific voting instructions, the proxies will vote your shares FOR the nominated slate of directors, FOR proposals two, three, four, five and six and FOR one year in proposal seven. The giving of a proxy will not affect your right to vote in person if you decide to attend the meeting.

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Stockholder of Record. If your shares are registered directly in your name or with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered the stockholder of record with respect to those shares and these proxy materials are being sent directly to you by us. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. We have enclosed a proxy card for your use.

Beneficial Holder. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares held in street name, and these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the meeting. However, since you are not the stockholder of record, in order to vote these shares in person at the meeting you must obtain a legal proxy from your broker, bank or other nominee. Your broker, bank or other nominee has enclosed a proxy card for your use.

How to Vote By Proxy; Revocability of Proxies

To vote by proxy, you must mark, sign, date, and return the proxy card in the enclosed envelope. If you are a beneficial holder, you may also vote your shares by telephone or the Internet using the instructions on each proxy card. Any Abraxas stockholder who delivers a properly executed proxy may revoke the proxy at any time before it is voted.

Whether you vote by telephone, internet or by mail, you can change or revoke your proxy before it is voted at the meeting by:

submitting a new proxy card bearing a later date;

voting again by telephone or the Internet at a later time;

giving written notice before the meeting to our Secretary at the address set forth on the cover of this proxy statement stating that you are revoking your proxy; or

attending the meeting and voting your shares in person.

Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. An Abraxas stockholder whose shares are held in the name of a broker, bank or other nominee must bring a legal proxy from his, her or its broker, bank or other nominee to the meeting in order to vote in person.

Deadline for Voting by Proxy

In order to be counted, votes cast by proxy must be received prior to the Annual Meeting.

Solicitation of Proxies

The cost of soliciting proxies in the accompanying form will be borne by Abraxas. Proxies are being solicited by mail, telephone, fax, email, town hall meetings, press releases, press interviews and the Company's Investor Relations

website. In addition to solicitations by mail, a number of officers, directors and regular employees of ours may, at no additional expense to us, solicit proxies in person or by telephone. We have hired Morrow Sodali LLC to assist in the solicitation of proxies at a fee estimated not to exceed \$8,000. In addition, we have agreed to reimburse Morrow Sodali LLC for its reasonable out-of-pocket expenses. We will also make arrangements with brokerage firms, banks and other nominees to forward proxy materials to beneficial owners of shares and will reimburse such nominees for their reasonable costs.

Our website address is included several times in this proxy statement as a textual reference only and the information in the website is not incorporated by reference into this proxy statement.

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Important Information Regarding Delivery of Proxy Material

The Securities and Exchange Commission has adopted rules regarding how companies must provide proxy materials to their stockholders. These rules are often referred to as notice and access, under which a company may select either of the following options for making proxy materials available to its stockholders:

the full set delivery option; or

the notice only option.

A company may use a single method for all of its stockholders, or use full set delivery for some while adopting the notice only option for others.

Full Set Delivery Option

Under the full set delivery option, a company delivers all proxy material to its stockholders by mail as it would have done prior to the change in the rules. In addition to delivery of proxy materials to stockholders, the company must post all proxy materials on a publicly-accessible website and provide information to stockholders about how to access the website.

In connection with its 2017 Annual Meeting of Stockholders, Abraxas has elected to use the full set delivery option. Accordingly, you should have received Abraxas proxy materials by mail. These proxy materials include the Notice of Annual Meeting of Stockholders, proxy statement, proxy card and Annual Report on Form 10-K. Additionally, Abraxas has posted these materials at www.proxydocs.com/AXAS.

Notice Only Option

Under the notice only option, which we have elected **NOT** to use for the 2017 Annual Meeting, a company must post all proxy materials on a publicly-accessible website. Instead of delivering proxy materials to its stockholders, the Company instead delivers a Notice of Internet Availability of Proxy Material. The notice includes, among other matters:

information regarding the date and time of the Annual Meeting of stockholders as well as the items to be considered at the meeting;

information regarding the website where the proxy materials are posted; and

various means by which a stockholder can request paper or e-mail copies of the proxy materials.

If a stockholder requests paper copies of the proxy materials, these materials must be sent to the stockholder within three business days and by first class mail.

Abraxas May Use the Notice Only Option in the Future

Although Abraxas elected to use the full set delivery option in connection with the 2017 Annual Meeting of Stockholders, it may choose to use the notice only option in the future. By reducing the amount of materials that a company needs to print and mail, the notice only option provides an opportunity for cost savings as well as conservation of paper products. Many companies that have used the notice only option have also experienced a lower participation rate resulting in fewer stockholders voting at the Annual Meeting. Abraxas plans to evaluate the future possible cost savings as well as the possible impact on stockholder participation as it considers future use of the notice only option.

Householding

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements for proxy materials with respect to two or more stockholders sharing the same address by delivering a single set of proxy materials. This process, which is commonly referred to as householding, potentially results in extra convenience for stockholders, cost savings for companies and conservation of paper products.

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If, at any time, you no longer wish to participate in householding and would prefer to receive a separate set of proxy materials, you may:

send a written request to Investor Relations, Abraxas Petroleum Corporation, 18803 Meisner Drive, San Antonio, Texas 78258 or call (210) 490-4788, if you are a stockholder of record; or

notify your broker, if you hold your shares in street name.

PROPOSAL ONE

ELECTION OF DIRECTORS

Abraxas Articles of Incorporation divide the Board of Directors into three classes of directors serving staggered three-year terms, with one class to be elected at each annual meeting. At this year's meeting, three Class II directors are to be elected for a term of three years to hold office until the expiration of their term in 2020, or until a successor has been elected and duly qualified. The nominees for Class II director are Robert L.G. Watson, Ralph F. Cox and Dennis E. Logue. Messrs. Watson, Cox and Logue are currently directors. Each of the director nominees named in this proxy statement has agreed to serve as a director if elected, and we have no reason to believe that any nominee will be unable to serve. In the event that before the annual meeting one or more nominees named in this proxy statement should become unable or unwilling to serve, the persons named in the enclosed proxy will vote the shares represented by any proxy received by our Board of Directors for such other person or persons as may thereafter be nominated for director by the Nominating and Corporate Governance Committee and our Board of Directors.

Assuming the presence of a quorum, the nominees for director who receive the most votes will be elected. The enclosed proxy card provides a means for stockholders to vote for or to withhold authority to vote for the nominees for director. If a stockholder executes and returns a proxy, but does not specify how the shares represented by such stockholder's proxy are to be voted, such shares will be voted FOR the election of the nominees for director. In determining whether this item has received the required number of affirmative votes, abstentions will have no effect. Non-votes are not considered votes cast for or withhold with respect to this proposal at the Annual Meeting and will have no effect on the election of directors.

The Board of Directors recommends a vote FOR the election of the nominees to the Board of Directors.

Board of Directors

The following table sets forth the names, ages, and positions of the directors of Abraxas. The term of the Class I directors expires in 2018, the term of the Class II directors expires in 2017 and the term of the Class III directors expires in 2019.

Name

and Municipality of Residence	Age	Office	Class
Robert L.G. Watson	66		II

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San Antonio, Texas		Chairman of the Board, President and Chief Executive Officer	
Harold D. Carter	78	Director	III
Dallas, Texas			
Ralph F. Cox	84	Director	II
Fort Worth, Texas			
W. Dean Karrash	55	Director	I
North Wales, Pennsylvania			
Jerry J. Langdon	65	Director	III
Houston, Texas			
Dennis E. Logue	73	Director	II
Enfield, New Hampshire			

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and Municipality of Residence	Age	Office	Class
Brian L. Melton Oklahoma City, Oklahoma	47	Director	III
Paul A. Powell, Jr. Roanoke, Virginia	71	Director	I
Edward P. Russell Stilwell, Kansas	53	Director	I

Director Nominees

The Board unanimously recommends using the enclosed proxy card to vote FOR each of the Board's three nominees for Director.

Robert L.G. Watson, has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. Prior to forming Abraxas, Mr. Watson held petroleum engineering positions with Tesoro Petroleum Corporation and DeGolyer and MacNaughton. Mr. Watson received a Bachelor of Science degree in Mechanical Engineering from Southern Methodist University in 1972 and a Master of Business Administration degree from the University of Texas at San Antonio in 1974.

Mr. Watson has been involved in the oil and gas industry for his entire business career and is the founder of Abraxas. He has developed a wide network of personal and business relationships within the oil and gas industry. His strong engineering and financial background combined with his many years of operational experience throughout changing conditions in the market and industry provide him with the ability to successfully lead the Company.

Ralph F. Cox, a director of Abraxas since December 1999, has over 50 years of oil and gas industry experience, over 30 of which were with Atlantic Richfield Company (ARCO). Mr. Cox retired from ARCO in 1985 after serving as Vice Chairman. Mr. Cox then joined Union Pacific Resources, retiring in 1989 as President and Chief Operating Officer. Mr. Cox then joined Greenhill Petroleum Corporation as President until leaving in 1994 to pursue a consulting business. Mr. Cox currently serves as a trustee for Fidelity Mutual Funds. Mr. Cox also serves as a director of Validus International, a company specializing in oil field drilling tools, and as a director of E-T Energy Ltd., a Canadian oil sands extraction company. Mr. Cox previously served as a director of Abraxas General Partner, LLC, the general partner of Abraxas Energy Partners, L.P., as a director of CH2M Hill Companies, an engineering and construction firm, as a director of World GTL Inc., a gas-to-liquids production facility, and as an advisory director of Impact Petroleum, an oil and gas exploration and production company. Mr. Cox received Bachelor of Science degrees in Petroleum Engineering and Mechanical Engineering from Texas A&M University in 1954 and completed advanced studies at Emory University.

Mr. Cox has many years of prior experience with major oil and gas companies. Mr. Cox continues his involvement in the industry through his other directorship positions. His executive-level perspective and decision making abilities continue to prove beneficial to the Company.

Dennis E. Logue, a director of Abraxas since April 2003, has served as Chairman of the Board of Directors of Ledyard Financial Group, the holding company for Ledyard National Bank, since 2005. Mr. Logue served as Dean and Fred E. Brown Chair at the Michael F. Price College of Business at the University of Oklahoma from 2001 through 2005. Prior to joining Price College, Mr. Logue was the Steven Roth Professor at the Amos Tuck School at Dartmouth College where he had been since 1974. Mr. Logue has served as a director of Waddell & Reed Financial, Inc., a publicly-traded, national financial services organization, since 2002. Mr. Logue holds degrees from Fordham College, Rutgers, and Cornell University.

Mr. Logue has significant business, financial and administrative experience and his broad based experiences across a number of industries are particularly beneficial in his service on our Nominating and Compensation Committees.

Table of Contents**Directors with Terms Expiring in 2018 and 2019**

Harold D. Carter, a director of Abraxas since October 2003, has over 40 years of oil and gas industry experience and has been an independent consultant since 1990. Prior to consulting, Mr. Carter served as Executive Vice President of Pacific Enterprises Oil Company (USA). Before that, Mr. Carter was associated for 20 years with Sabine Corporation, ultimately serving as President and Chief Operating Officer from 1986 to 1989. Mr. Carter has served as a director of Longview Energy Company, a privately-owned oil and gas exploration and production company, since 1999. Mr. Carter also serves as Vice Chairman of the Board of Trustees for the Texas Scottish Rite Hospital for Children. Mr. Carter previously served as a director of Abraxas from 1996 to 1999 and as an advisory director from 1999 to 2003. Mr. Carter also previously served as a director of Brigham Exploration Company, a publicly-traded oil and gas company, from 1998 to 2011, and as a director of Energy Partners Ltd., a publicly-traded oil and gas exploration and production company, from 2000 to 2009. Mr. Carter received a Bachelor of Business Administration degree in Petroleum Land Management from the University of Texas and completed the Program for Management Development at the Harvard University Business School.

Mr. Carter brings invaluable perspective and industry-specific business acumen and managerial experience to the Board as the former President and COO of Sabine Corporation and as an industry veteran with decades of exploration and production experience. In particular, we believe that Mr. Carter's tenure as a director of Brigham Exploration is particularly valuable to us because Brigham's principal area of activity was the Williston Basin, where it targeted the Bakken, Three Forks and Red River formations. Brigham was acquired in 2011 by Statoil ASA for approximately \$4.4 billion. The knowledge and experience Mr. Carter has attained through his service on other public company boards also enables Mr. Carter to provide a keen understanding of various corporate governance matters.

W. Dean Karrash, was an advisory director of Abraxas from November 2011 to May 2012 at which time he was elected to the Board of Directors. Mr. Karrash is the President and Chief Financial Officer of Burke, Lawton, Brewer & Burke, LLC, a securities brokerage firm. Mr. Karrash joined the firm in 2004 and also serves as a Portfolio Manager with BLB&B Advisors, LLC. Mr. Karrash has over thirty years of experience in the financial services industry and previously served as President and Chief Executive Officer of Rutherford, Brown & Catherwood, LLC and Chief Financial Officer of Walnut Asset Management, LLC. Early in Mr. Karrash's career, he served as Vice President of Finance for Lincoln Investment Planning Inc. and as a Senior Manager with Pricewaterhouse Coopers (formerly Coopers & Lybrand). Mr. Karrash is currently a member of FINRA's Financial and Operations Committee and a past member of the Small Firm Advisory Board and District 9 Business Conduct Committee. Mr. Karrash is a Certified Public Accountant, Certified Financial Planner and is registered with FINRA and holds Series 7, 24, 27, 53 and 65 licenses. Mr. Karrash received a Bachelor of Science degree in Accounting from Pennsylvania State University and a Master of Business Administration degree from Temple University's Executive MBA program.

Through his role as President of Burke, Lawton, Brewer & Burke, Mr. Karrash provides our Board with investment and financial experience from the standpoint of an investor and as a stockholder. In addition, Mr. Karrash is a Certified Public Accountant and is an audit committee financial expert as defined by SEC rules.

Jerry J. Langdon has served on the Board of Directors of Abraxas since May 2013 and currently works as a private investor. Previously, Mr. Langdon was Chief Administrative and Compliance Officer of Energy Transfer Partners, or ETP, a multi-billion dollar company specializing in the gathering, processing, transportation and storage of natural gas and natural gas liquids in the U.S. Prior to ETP, Mr. Langdon was Chief Administrative and Compliance Officer for Reliant Energy. Mr. Langdon has also held senior executive positions with El Paso Energy Partners and has served as a Director of several public and private boards. In October 1988, Mr. Langdon was appointed to the Federal Energy Regulatory Commission by President Ronald Reagan and served in that capacity until 1993. For a period of 38 days in 2012 (from May 21, 2012 until June 28, 2012), Mr. Langdon served as Chairman of the Board and Chief Executive

Officer of Latitude Solutions, Inc., a company engaged in the development and deployment of water remediation technologies. On November 9, 2012, Latitude Solutions, Inc. filed for bankruptcy protection under the provisions of Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas. Mr. Langdon has authored numerous articles on the natural gas and electric industries, which have been published in various industry trade magazines. Mr. Langdon holds a Bachelor of Science in Communications from the University of Texas.

We believe Mr. Langdon's extensive experience in the energy industry make him a valuable member of our Board.

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Brian L. Melton has served on the Board of Directors Abraxas since October of 2009. He has served as Vice President of Pipeline Marketing & Business Development for Blueknight Energy Partners (Nasdaq: BKEP), a publicly traded master limited partnership that specializes in providing crude oil and asphalt terminaling, pipeline and transportation services across the U.S., since December 2013. Prior to joining Blueknight, Mr. Melton served as Vice-President of Business Development / Corporate Strategy for Crestwood Equity Partners, L.P. (NYSE: CEQP), Crestwood Midstream Energy Partners, L.P. (NYSE: CMLP), and Inergy, L.P. (NYSE:NRGY) from September 2008 until December 2013. Crestwood and Inergy are publicly-traded MLPs that specialize in providing midstream crude oil, natural gas and natural gas liquids services to producers and midstream providers in many of the major U.S. shale plays including the Bakken, Eagle Ford, Marcellus / Utica, Barnett, Fayetteville, Haynesville and Niobrara U.S. shale regions. Prior to joining Inergy in 2008, Mr. Melton was a Director in the Energy Corporate Investment Banking groups of Wachovia Securities and A.G. Edwards, prior to its merger with Wachovia Securities in October of 2007. Mr. Melton joined A.G. Edwards in July 2000 and was a senior member of the energy corporate finance team. From November 1995 until July 2000, Mr. Melton served as Director of Finance & Corporate Planning with TransMontaigne Inc., a downstream refined products supply, transportation and logistics company. Mr. Melton received a Bachelor of Science degree in Management and a Master of Business Administration degree from Arkansas State University.

We believe that Mr. Melton's operational and business experience (particularly in the U.S. shale plays in which the Company operates), as well as Mr. Melton's prior oil and gas investment banking experience help him bring unique insight to our Board and that his financial experience is beneficial to our audit committee.

Paul A. Powell, Jr., a director of Abraxas since August 2005, has served as Vice President and director of Mechanical Development Co., Inc., a maker of precision production machine parts, since 1984. Mr. Powell is a Managing Partner of reise price of \$6.17 and expire in December 2008. (e) In December 2003, we issued warrants for the purchase of 896,596 of our ordinary shares to our banks Bank Hapoalim and Bank Leumi. These warrants were issued in connection with an amendment to our credit facility agreement. The warrants have an exercise price of \$6.17 and expire in December 2008. (f) In December 2003, we issued an aggregate of 2,916,951 shares, to the persons mentioned in (b) above. The ordinary shares were issued in connection with a milestone payment in the amount of \$8,701,263 under our Fab 2 agreements. (g) In January 2004, we issued an aggregate of 2,346,786 shares, to the persons mentioned in (b) above. The ordinary shares were issued in connection with a second installment milestone payment in the amount of \$16,427,508 under our Fab 2 agreements. (h) In 2004, we issued ordinary shares to Sandisk Corporation in connection with its conversion of wafer credits as follows: in May 2004, 11,960 ordinary shares for their conversion of \$80,250 of wafer credits; in July 2004, 40,378 ordinary shares for its conversion of \$225,711 of wafer credits; and in October 2004, 64,825 ordinary shares for its conversion of \$232,076 of wafer credits. (i) In April 2005, we issued 586,391 ordinary shares to Sandisk Corporation in connection with its conversion of \$944,089 of wafer credits. (j) In July 2005, we issued 421,422 ordinary shares to Sandisk Corporation in connection with its conversion of \$501,492 of wafer credits. (k) In August 2005, we issued warrants for the purchase of 8,264,464 of our ordinary shares to Bank Hapoalim and Bank Leumi. These warrants were issued in connection with an amendment to our credit facility agreement. They have an exercise price of \$1.21. Half of these warrants expire in August 2010. Half of these warrants will only become exercisable upon the agreement of repayment terms of the loans under the July 2005 amendment and will expire five years from the date of any such agreement. (l) In October 2005, we issued 161,598 ordinary shares to Sandisk Corporation in connection with its conversion of \$272,822 of wafer credits. (m) In October 2005, we issued 62,849 ordinary shares to Alliance Semiconductor in connection with its conversion of \$75,479 of wafer credits. (n) In January 2006, we issued 218,292 ordinary shares to Sandisk Corporation in connection with its conversion of \$344,901 of wafer credits. 33

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(o) In January 2006, we issued 39,199 ordinary shares to Alliance Semiconductor in connection with its conversion of \$61,935 of wafer credits.

(p) In January 2006, we issued an aggregate of 31,191,606 convertible debentures to Israel Corporation Ltd., Alliance Semiconductor Corporation, Macronix (BVI) Co Ltd., SanDisk Corporation, Sphera Master Fund LP, Do Tzah Ltd., Ramco 20 Flexible, and Ramco Stocks convertible into 28,356,005 ordinary shares in connection with our 2006 rights offering.

(q) In February 2006, we issued 2,455,905 ordinary shares to Alliance Semiconductor in connection with its conversion of \$3,880,330 of wafer credits.

(r) In April 2006, we issued 660,887 ordinary shares to Sandisk Corporation in connection with its conversion of \$912,024 of wafer credits.

(s) In April 2006, we issued 63,793 ordinary shares to Alliance Semiconductor in connection with its conversion of \$88,035 of wafer credits.

The offer and sale of our securities summarized above were made pursuant to the exemption provided under Section 4(2) and/or Regulation S of the Securities Act.

No underwriter or underwriting discount or commission was involved in any of the transactions set forth above.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Set forth below is information regarding the members of our administrative, supervisory or management bodies and our directors.

	AGE	TITLE
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SENIOR MANAGEMENT		
Russell C. Ellwanger	51	Chief Executive Officer
Oren Shirazi	36	Acting Chief Financial Officer
Dudu Vidan	44	Vice President and Fab 1 Manager
Dr. Itzhak Edrei	46	Senior Vice President of Product Lines and Sales
Rafi Nave	56	Chief Technology Officer
Ephie Koltin	44	Vice President of Business Development
Dalit Dahan	38	Vice President of Human Resources
Shimon Dahan	43	Vice President of Manufacturing Services
Nati Somekh Gilboa	31	Corporate Secretary and General Counsel
Rafi Mor	42	Vice President and Fab 2 Manager
DIRECTORS		
Udi Hillman	53	Chairman of the Board
Russell C. Ellwanger	51	Director
Yossi Rosen	66	Director
Dr. Eli Harari	61	Director
Miin Wu	57	Director
N. Damodar Reddy	68	Director
Kalman Kaufman	60	Director
Hans Rohrer	56	Independent Director
Tal Yaron-Eldar	42	Independent Director

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RUSSELL C. ELLWANGER has served as our Chief Executive Officer since May 2005. From 1998 to 2005, Mr. Ellwanger served in various executive positions for Applied Materials Corporation, including Group Vice President, General Manager of the Applied Global Services (AGS), from 2004 to 2005, Group Vice President, General Manager of the CMP and Electroplating Business Group, from 2002 to 2004. Mr. Ellwanger also served as Corporate Vice President, General Manager of the Metrology and Inspection Business Group, from 2000 to 2002, during which he was based in Israel. From 1998 to 2000, Mr. Ellwanger served as Vice President of Applied Materials' 300-mm Program Office, USA. Mr. Ellwanger served as General Manager of Applied Materials' Metal CVD Division from 1997 to 1998 and from 1996 to 1997, Mr. Ellwanger served as Managing Director of CVD Business Development, during which he was based in Singapore. In addition, Mr. Ellwanger held various managerial positions in Novellus System from 1992 to 1996 and in Philips Semiconductors from 1980 to 1992.

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OREN SHIRAZI was appointed as our acting Chief Financial Officer in November 2004. Mr. Shirazi joined us in October 1998 and served as our controller since July 2000, after serving as vice controller since October 1998. Prior to joining us, Mr. Shirazi was employed as an Audit Manager in the accounting firm of Ratzkovski-Fried & Co., which merged into Ernst & Young (Israel). Mr. Shirazi is a Certified Public Accountant in Israel (CPA). He has an MBA from the Graduate School of Business of Haifa University with honors and a BA in economics and accounting from the Haifa University.

DUDU VIDAN was appointed Vice President and Fab 1 Manager in August 2005, having served previously as FAB2 production manager since March 2003 and as FAB2 tool installation manager from March 2001. Previously, Mr. Vidan was employed by MDF, serving as plant manager, and Carcom Aviation Products serving as production manager. Mr. Vidan served as a Naval Reserve Lt. Colonel in the Israel Defense Forces. Mr. Vidan holds a B.Sc. in Industrial and Management Engineering from the Technion - Israel Institute of Technology.

DR. ITZHAK EDREI was appointed Senior Vice President of Product Lines and Sales in August 2005 after serving as Vice President of Research and Development since August 2001, having served as Director of Research and Development since 1996. From 1994 to 1996, Dr. Edrei served as our Device and Yield Department Manager. Prior to joining Tower, Dr. Edrei was employed by National Semiconductor as Device Section Head. Dr. Edrei earned his Ph.D. in physics from Bar Ilan University and his post-doctorate from Rutgers University.

RAFI NAVE was appointed Chief Technology Officer in August 2005 after serving as Vice President of Customer Services since August 2003. From 1996 to 2003, Mr. Nave served as Vice President of Research and Development for NDS Group. From 1974 to 1995, Mr. Nave was employed by Intel Corporation in a variety of positions of increasing responsibility, among them chip design engineer and General Manager of Intel's design center in Israel. Mr. Nave earned master and bachelor degrees in electrical engineering from the Technion - Israel Institute of Technology.

EPHIE KOLTIN was appointed Vice President of Business Development in August 2005, having served as Vice President, General Foundry and Mixed Signal Technology from 2003 and as Senior Director, FAB2 Process Engineering since 2000. From 1996-1999, Mr. Koltin served in several senior positions as Director, NVM Technology, CIS technology and ERS manager, FAB1. Prior to joining Tower, Mr. Koltin was employed at National Semiconductor and the Technion - Israel Institute of Technology. Mr. Koltin holds a B.Sc. in Mechanical Engineering and M.Sc. in Materials Engineering from the Technion - Israel Institute of Technology.

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DALIT DAHAN was appointed Vice President of Human Resources in April 2004. Ms. Dahan joined us in November 1993 and served as Personnel Manager since April 2000, after having served as Compensation & Benefits Manager and in various other positions in the Human Resources Department. Prior to joining us, Ms. Dahan served as Manager of the North Branch of O.R.S - Manpower Company for 3 years. Ms. Dahan holds a bachelor's degree in social science from Haifa University and an MBA from the University of Derby.

SHIMON DAHAN was appointed Vice President of Manufacturing Services in January 2006, having served previously as Test & MTG manager since August 2005 and prior to that as Research and Development Operation Manager from November 2000. Prior to that, Mr. Dahan was employed by National Semiconductor in various capacities. Mr. Dahan holds a bachelors degree in Political Science from Haifa University, and an MBA from the University of Derby.

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NATI SOMEKH GILBOA was appointed as Corporate Secretary and General Counsel in March 2005, has served as our Associate General Counsel since May 2004. From 2001 to 2004, Ms. Somekh Gilboa was employed by Goldsobel & Kirshen, Adv. Ms. Somekh Gilboa holds an LL.M. and J.D. from Boston University and a B.A. from Johns Hopkins University. She is a member of the Israeli Bar Association and the New York bar.

RAFI MOR was appointed Vice President and Fab 2 Manager in August 2005, having served as Fab 1 Manager since August 2003 and Senior Director and Fab 1 Manager since March 2003. From November 2000 to March 2003, Mr. Mor served as Senior Director of Process Device & Yield of Fab 1. From 1998 to 2000, Mr. Mor served as Director of Equipment Reliability & Support of Fab 1. Previously, Mr. Mor was employed by National Semiconductor in various engineering and management capacities. Mr. Mor earned master and bachelor degrees in chemical engineering from Ben Gurion University.

UDI HILLMAN has served as Chairman of the Board since May 2005. Mr. Hillman served as Acting Chief Executive Officer from February 2005 to April 2005. Mr. Hillman has served as a director from October 1996 through August 1999 and was reappointed to the Board in January 2000. In January 2001, Mr. Hillman was appointed Vice Chairman of the Board and resigned as Vice Chairman in March 2005. Mr. Hillman serves on the Tender Committee. Since March 2001, Mr. Hillman has served as President and Chief Executive Officer of ICTech, a subsidiary of Israel Corp., which is one of our current principal shareholders. Since February 2004, Mr. Hillman has served as a member of the Board of Directors of ZIM Integrated Shipping Services. Mr. Hillman served as Chief Financial Officer of Israel Corp. from September 1996 to 1997 and as Executive Vice President and Chief Financial Officer of Israel Corp. from May 1997 to 2001. Mr. Hillman served as a director of several subsidiaries of Israel Corp., including Israel Chemicals Ltd., ZIM Integrated Shipping Services and others. Prior thereto, Mr. Hillman was Vice President and Controller of Clal Industries Ltd. and a director of several companies in the Clal Group.

YOSSI ROSEN has served as a director and Chairman of the Stock Option and Compensation Committee since February 2005. Since November 30, 1998, Mr. Rosen has served as the President and CEO of The Israel Corporation. Mr. Rosen is also Chairman of the Board of Directors of Israel Chemicals Ltd. and a director of its subsidiaries, a member of the Board of Directors and Executive Committee of ZIM Integrated Shipping Services, Chairman of the Board of Dead Sea Magnesium Ltd. and a director of Oil Refineries Ltd. Mr. Rosen was previously President of Mashav Initiating & Development Ltd. and Chairman of the Board of various industrial companies, such as Nesher cement. Mr. Rosen holds a BA in Economics

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from the Hebrew University of Jerusalem and an MA in Business Management from the Hebrew University of Jerusalem.

DR. ELI HARARI has served as a director since January 2001. Dr. Harari serves on the Stock Option and Compensation Committee. Dr. Harari served as President and Chief Executive Officer and as a Director of SanDisk Corporation from its inception in 1988 until May 2006, and currently serves as Chief Executive Officer and Chairman of the Board of SanDisk. Dr. Harari is a pioneer in non-volatile semiconductor storage with more than 100 U.S. and foreign patents and numerous technical articles and has more than 30 years of experience in the electronics industry. His extensive operational and technological development experiences include co-founding Waferscale Integration, overseeing the development and transfer into production of Intel Corporation's first-generation stepper and dry etch technology, and technical management positions at Hughes Aircraft and Honeywell, Inc. He holds an M.A. and Ph.D. in Solid State Sciences from Princeton University and a B.S. (Honors) degree in Physics from Manchester University.

MIIN WU has served as a director since January 2001. Mr. Wu serves as President, Chief Executive Officer and an Executive Director of Macronix International and has been an executive officer of Macronix since its formation in 1989. Mr. Wu received both a B.S. and an M.S. in Electrical Engineering from National Cheng-Kung University in Taiwan as well as an M.S. in Material Science & Engineering from Stanford University.

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N. DAMODAR REDDY has served as a director since January 2001. Mr. Reddy serves on the Audit Committee. Mr. Reddy is the co-founder of Alliance Semiconductor Corporation and has served as its Chairman of the Board since its inception in February 1985. Mr. Reddy also served as President and Chief Executive Officer since its inception and until December 2005. In addition, Mr. Reddy served as Chief Financial Officer of Alliance Semiconductor from June 1998 to January 1999 and from May 2001 until April 2002. From September 1983 to February 1985, Mr. Reddy served as President and Chief Executive Officer of Modular Semiconductor, Inc., and from 1980 to 1983, he served as manager of Advanced CMOS Technology Development at Synertek, Inc., a subsidiary of Honeywell, Inc. Prior to that time, Mr. Reddy held various research and development and management positions at Four Phase Systems, a subsidiary of Motorola, Inc., Fairchild Semiconductor and RCA Technology Center. He holds an MS degree in Electrical Engineering from North Dakota State University and an MBA from Santa Clara University.

KALMAN KAUFMAN has served as a director and as a member of our Audit Committee since August 2005. Mr. Kaufman also served as Corporate Vice President at Applied Materials from 1994 to 2005. Between 1985 and 1994, Mr. Kaufman served as President of KLA Instruments Israel, a company he founded, and General Manager of Kulicke and Soffa Israel. Mr. Kaufman is currently the Chairman of Solgel Nanotechnology and is a member of several boards of directors. He holds engineering degrees from the Technion - Israel Institute of Technology.

HANS ROHRER has been a director and member of the Audit Committee since April 2002. Since May 2002, Mr. Rohrer serves as President and Chief Executive Officer of Acuid Corporation. From 1999 to 2002, Mr. Rohrer served as President of Taiwan Semiconductor Manufacturing Company -- Europe (TSMC - Europe). Mr. Rohrer has held various engineering, marketing, sales and general management positions, including Vice President and General Manager, Europe, with National Semiconductor between 1980 and 1998. Mr. Rohrer started his career in the semiconductor industry with Texas Instruments.

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TAL YARON-ELDAR has been a director and member of the Audit Committee and the Stock Option and Compensation Committee since January 2005. Since September 2004, Ms. Yaron-Eldar serves as Chief Executive Officer of Arazim Investment Ltd. and she is a partner in Cohen, Cohen, Yaron-Eldar & Co. law offices. Ms. Yaron-Eldar served as Israel's Income Tax and Real Property Tax Commissioner from 2002 to 2004. Between 1998 and 2001, Ms. Yaron-Eldar served as the Chief Legal Advisor to the Customs and V.A.T. Authority. During the preceding ten years, Ms. Yaron-Eldar served in various positions with Israel's Income Tax and Real Property Tax Commission, including Senior Head of its legislation department and Deputy Chief Legal Advisor. Ms. Yaron-Eldar holds a master's degree in business and a bachelor's degree in law from Tel-Aviv University and is a member of the Israeli Bar Association.

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WHERE YOU CAN FIND MORE INFORMATION

We are required to file reports and other information with the SEC under the Securities Exchange Act of 1934 and the regulations thereunder applicable to foreign private issuers. You may read and copy the registration statement and any other documents we have filed at the Securities and Exchange Commission's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the Public Reference Room. Our Securities and Exchange Commission filings are also available to the public at the U.S. Securities and Exchange Commission's Internet site at "<http://www.sec.gov>." Although as a foreign private issuer we are not required to file periodic information as frequently or as promptly as United States companies, we generally do publicly announce our quarterly and year-end results promptly and file periodic information with the SEC under cover of Form 6-K. As a foreign private issuer, we are also exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and other provisions in Section 16 of the Exchange Act.

You may also find our reports filed with the Israel Securities Authority on the Magna site whose address is "<http://www.magna.isa.gov.il>".

LEGAL MATTERS

The validity of the securities offered in this prospectus will be passed upon for us by Yigal Arnon & Co., our Israeli counsel.

EXPERTS

The audited consolidated financial statements incorporated in this prospectus by reference from our Annual Report on Form 20-F for the year ended December 31, 2004 and our report on Form 6-K filed on February 2, 2006, have been audited by Brightman Almagor & Co., a member firm of Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference (which report expressed an unqualified opinion and included an explanatory paragraph about the differences between accounting principles generally accepted in Israel and in the United States of America), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

* * *

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any person to provide you

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with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed.