



B#:	B3458-16
Date:	May 27, 2016
To:	All Participants
Category:	Dividends
From:	Supervisor, Stock Dividend Department
Attention:	Dividend Managers, Cashiers, and Reorganization Managers
Subject:	DTC Processing Event – Dividend: Pointer Telocation Ltd. (“Pointer”) CUSIP: M7946T104 Rate: 1 ordinary share of Shagrir Group Vehicle Services Ltd. (“Shagrir”) for each ordinary share of Pointer Record Date: June 7, 2016 Payable Date: June 23, 2016 EX DATE: June 7, 2016

*****WARNING TIME CRITICAL*****

PLEASE NOTE THIS EVENT IS NOT A DIVIDEND, IT IS A SPIN-OFF.

This event has special requirements which cannot be accommodated through a standard spin-off. DTC will not be facilitating this event; this Important Notice was created for informational purposes only.

Event Details:

Pointer will be distributing ordinary shares of Shagrir by way of a spin-off to Pointer shareholders.

Shagrir shares will be listed only on the Tel Aviv Stock Exchange. Please note that as the Shagrir shares will not be listed on a US stock exchange, only a US broker, bank, nominee, or other institution that is able to effect settlement of foreign (Israeli) shares (an “**Eligible U.S. Broker**”) will be able to credit the Shagrir shares to shareholders that hold NASDAQ traded Pointer shares.

Participants must submit the attached ‘Delivery Instruction Form’ to D.F. King in order to receive Shagrir shares. Holders who fail to complete the ‘Delivery Instruction Form’, or who do so but it is deemed to be invalid by D.F. King or Excellence Nessuah Brokerage Services Ltd., the Israeli distributor of the Shagrir shares (the “**Israeli Distributor**”), will not receive the Shagrir shares. Instead, the Shagrir shares will be placed into an escrow account in Israel and may be delivered at a later date subject to the receipt of proof of claim and valid settlement instructions.

For shareholders that hold Pointer shares at an Eligible U.S. Broker, it is anticipated that it will take approximately three business days from the distribution date for the account to be credited with the Shagrir shares.

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In order to receive the Shagrir shares, shareholders that hold Pointer shares at a broker that is not an Eligible US Broker, must perform one of the following:

- (i) Open an account with a Eligible US Broker;
- (ii) Open an account with an Israeli brokerage account (TASE member); or
- (iii) Provide settlement instructions to your US broker for delivery of the Shagrir shares to a TASE member.

Please note that all Delivery Instruction Forms should be sent to D.F. King at the below address:

DF King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Attn: Peter Tomaszewski

Or

e-mailed to D.F. King at the following email address:

pointer@dfking.com

D.F. King will aggregate the delivery instructions and provide the delivery instructions to the Israeli Distributor. On the distribution date, the Israeli Distributor will deliver the Shagrir shares to the applicable/participating Tel Aviv Stock Exchange (“TASE”) members, who will hold the Shagrir shares on their own account or on behalf of a third party broker.

Any questions regarding to the spinoff of Shagrir shares should be directed to D.F. King, the Company’s information agent, via email at pointer@dfking.com or by phone at (800) 334-0384 (toll free) or (212) 493-3918 from 8:30 AM to 5:30 PM EDT, Monday to Friday.

Important Legal Information: *The Depository Trust Company (“DTC”) does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages. To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.*

**SPIN-OFF OF SHAGRIR GROUP VEHICLE SERVICES LTD.
BY
POINTER TELOCATION LTD.**

May 27, 2016

We are distributing the enclosed Broker Delivery Instruction Form (the "Instruction Form") in connection with the distribution of the ordinary shares of Shagrir Group Vehicle Services Ltd. ("Shagrir") by Pointer Telocation Ltd. ("Pointer"). We refer to this transaction as the "Spin-off." Each holder of Pointer ordinary shares ("Pointer Ordinary Shares") is entitled to receive a number of Shagrir ordinary shares ("Shagrir Ordinary Shares") equal to the number of Pointer Ordinary Shares that such holder holds as of June 7, 2016 (the "Record Date"). The deadline for submitting the properly completed Delivery Instruction Form in order to receive Shagrir Ordinary Shares will be 5:00 p.m., New York City time, on June 17, 2016 (the "Deadline").

Delivery Instructions Forms that are not properly completed and/or cured, or timely submitted, may not be accepted. Acceptance in such event will be at the discretion of the Pointer and the Israeli Distributor. Excellence Nessuah Brokerage Services Ltd., the Israeli distributor of the Shagrir Ordinary Shares (the "Israeli Distributor"), will deliver the Shagrir Ordinary Shares, with respect to those holders that submit the Instruction Form, on or around June 25, 2016.

Share Delivery Instructions may be made by you by completing, executing and returning the enclosed Instruction Form as described more fully below. Client instructions are not necessary. The Israeli Distributor will issue the Shagrir Ordinary Shares to the Tel Aviv Stock Exchange ("TASE") member that you nominated to receive such shares.

If you do not submit a completed instruction form, your clients will not be able to receive the Shagrir Ordinary Shares upon their distribution. Instead, those shares shall be placed in an Israeli escrow account pending receipt of proper delivery/settlement instructions.

CUSIP of Pointer Ordinary Shares:	M7946T104
ISIN of Shagrir Ordinary Shares:	IL 0011383796
Share entitlement:	One Shagrir Share for each Pointer Share held

IF YOU DO NOT HAVE A SECURITIES ACCOUNT IN ISRAEL, OR WITH A TASE MEMBER, YOU MUST EITHER OPEN ONE DIRECTLY OR THROUGH A BANK WITH GLOBAL CUSTODY WHICH HAS AN ACCOUNT WITH AN ISRAELI AGENT, OR YOU SHOULD NOT RETURN THE INSTRUCTION FORM. IF YOU DO NOT COMPLETE AND RETURN THE INSTRUCTION FORM BY THE DEADLINE, YOUR CLIENT'S SHARES WILL BE PLACED INTO AN ESCROW ACCOUNT IN ISRAEL AND SHOULD BE CLAIMED BY YOUR CLIENT AT A LATER DATE. BENEFICIAL HOLDERS WILL NEED TO CONTACT THE COMPANY OR ESCROW AGENT DIRECTLY TO RECEIVE INSTRUCTIONS AS TO HOW TO RECEIVE SHARES FROM THE ESCROW ACCOUNT.

INSTRUCTIONS

D.F. King must receive each Instruction Form no later than the Deadline. In order for the Israeli Distributor to deliver the Shagrir Ordinary Shares to your account in Israel, you **MUST** list on the Instruction Form the total number of Shagrir Ordinary Shares to be delivered, provide the requested securities account information in Israel and sign the Instruction Form. You may use one Instruction Form for the aggregate number of shares you hold for all clients holding Pointer Ordinary Shares provided that the relevant account information is identical.

PLEASE SEND THE INSTRUCTION FORM BY E-MAIL, MAIL (REGISTERED MAIL WITH RETURN RECEIPT SUGGESTED) OR BY COURIER TO THE FOLLOWING ADDRESS WITH SUFFICIENT TIME SO THAT THE INSTRUCTION FORM IS RECEIVED BY THE DEADLINE.

By registered, certified or express mail OR by overnight courier:

DF King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Attn: Peter Tomaszewski

By email
pointer@dfking.com

TAX INFORMATION

The distribution to your clients of Shagrir Ordinary Shares in the Spin-off will be subject to backup withholding tax. Pointer will satisfy such backup withholding by depositing, 25% of the shares to which your client is entitled, into a segregated tax escrow account in Israel (managed by ESOP Management & Trust Services Ltd.) and selling them on the TASE, or by transferring them to a TASE Member which received your client's Shagrir Ordinary Shares and which has undertaken to fulfill any Israeli tax withholding requirements. No action is required by you with respect to tax withholding.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the Spin-off, Pointer intends filing an Information Statement on Form 6-K on or around May 31, 2016 containing a discussion of the Spin-off (the "Information Statement"). The Information Statement contains important information about Pointer, Shagrir and the Spin-off. **POINTER SHAREHOLDERS ARE URGED TO READ THE INFORMATION STATEMENT BECAUSE IT CONTAINS IMPORTANT INFORMATION ABOUT THE SPIN-OFF.** You may obtain a free copy of the Information Statement, and any and all of the information that has been incorporated by reference in the Information Statement, on Pointer's website at www.pointer.com, the SEC's website at www.sec.gov or from the information agent, D.F. King & Co., Inc., by phone at (800) 334-0384 (toll free) or (212) 493-3918 or via e-mail at pointer@dfking.com. If you have questions concerning the procedure for distribution of Shagrir Ordinary Shares, you may contact D.F. King & Co., Inc. at the phone number and e-mail address provided above.

NOTHING CONTAINED HEREIN SHALL CONSTITUTE YOU AS AN AGENT OF POINTER, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE SPIN-OFF OTHER THAN THE STATEMENTS CONTAINED HEREIN.

BROKER DELIVERY INSTRUCTION FORM
FOR POINTER HOLDERS IN CONNECTION WITH SPINOFF

***DENOTES REQUIRED FIELDS**

*Name of DTC Participant: _____

*DTC Participant Number: _____

*Contact Details at DTC Participant (Name, E-Mail and Telephone Number):

*Number of Pointer Ordinary Shares held as of the Record Date: _____

Note: Please be advised that due to interim tracking, your final entitlement through Cede & Co. will not be available until June 10, 2016 (settlement +1).

*Number of Shagrir Ordinary Shares to be delivered (75% of the number of Pointer shares held¹):

In order to ensure receipt of Shagrir Ordinary Shares, you are required to provide your local custody with an RF (Receive Free) instruction for the required share quantity. The RF instructions should include Excellence Nessuah Brokerage services SSI as follows:

Excellence Nessuah Brokerage Services Ltd
BIC ZNNXIL11
#2361 (Account number)

Your Israeli SSI (Standard Settlement Instructions):

*Custodian Name: _____

*TASE account: _____

*Account number: _____

*Account Name: _____

*Contact details: Name _____ Phone # _____ E-mail _____

¹ 25% will be withheld for withholding tax purposes

We (on behalf of our clients) request delivery of Shagrir Ordinary Shares equal to 75% of the amount of Pointer Ordinary Shares as shown above and in accordance with the directions provided above.

*Signed By: _____

Name of Signer:

Email of Signer:

Telephone No. of Signer:

PLEASE SEND THIS INSTRUCTION FORM BY MAIL (REGISTERED MAIL, RETURN RECEIPT SUGGESTED) OR BY EMAIL, IN SUFFICIENT TIME SO THAT THE DOCUMENTS ARE RECEIVED BY THE DEADLINE OF 5:00 P.M., NEW YORK TIME, ON JUNE 17, 2016.