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September 21, 2006

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: SanDisk Corporation; Section 3(a)(10); Rule 144; Rule 145

Ladies and Gentlemen:

We are counsel to SanDisk Corporation, a Delaware corporation (“**SanDisk**”), and respectfully submit this letter in connection with SanDisk’s proposed acquisition of msystems Ltd., a company organized under the laws of the State of Israel (“**msystems**”) as described in this letter. Definitive agreements for the proposed transaction were executed and the transaction was publicly announced on July 30, 2006.

SanDisk proposes to effect the acquisition through a plan of arrangement (the “**Plan**”) pursuant to Section 350 of the Israeli Companies Law - 1999 (the “**Companies Law**”) and the Companies Regulations (Request for a Settlement or an Arrangement) - 2002 (the “**Companies Regulations**”). As permitted by the Companies Law, the Plan will be effected through a merger. Upon the effective date of the Plan, (i) each ordinary share of msystems, par value NIS \$0.001 (“**msystems Shares**”) will be converted solely into 0.76368 of a share (the “**Exchange Ratio**”) of SanDisk common stock, par value \$0.001 per share¹ (the “**SanDisk Shares**”); (ii) each option, warrant, convertible note or other convertible, exercisable or exchangeable security entitling the holder thereof to acquire msystems Shares (collectively, “**msystems Derivative Securities**”) will become an option, warrant, convertible note or other security to acquire SanDisk Shares, preserving the value and containing the essential terms of such msystems Derivative Securities at a price and in an amount based on the Exchange Ratio (the “**SanDisk Derivative Securities**”); and (iii) msystems will become a wholly-owned subsidiary of SanDisk. To our knowledge, all

¹ Each SanDisk Share is accompanied by a preferred stock purchase right pursuant to the Rights Agreement between SanDisk and ComputerShare Trust Company, Inc. dated September 15, 2003. Until the occurrence of certain events specified in the Rights Agreement, these rights are not exercisable, are evidenced by the certificates for the SanDisk Shares and are transferred solely with the SanDisk Shares.

mSystems Derivative Securities are convertible into, or exercisable or exchangeable for mSystems Shares and not for any other class of security, and the mSystems Shares are the only class of equity security that is issued and outstanding.

By this letter, we respectfully request confirmation from the staff of the Division of Corporation Finance (the "**Staff**") that, based upon the facts and circumstances described herein, it will not recommend any enforcement action to the Securities and Exchange Commission (the "**SEC**") if, pursuant to the Plan, SanDisk issues SanDisk Shares to current shareholders of mSystems and SanDisk Derivative Securities to current holders of mSystems Derivative Securities², without registration of the SanDisk Shares under the Securities Act of 1933, as amended (the "**Securities Act**"). We believe that registration of the SanDisk Shares and SanDisk Derivative Securities is not required by virtue of Section 3(a)(10) of the Securities Act ("**Section 3(a)(10)**"). In addition, we respectfully request confirmation from the Staff that it will not recommend any enforcement action to the SEC if the SanDisk Shares issued in connection with the Plan are resold in accordance with the limitations set forth in this letter.

We note as an initial matter that, as further described below, the Staff previously determined that reliance on Section 350 of the Companies Law and adherence to the procedures contemplated thereby satisfied the requirements of Section 3(a)(10).³ We further note that, excluding only insubstantial procedural changes,⁴ Section 350 of the Companies Law and the procedures contemplated thereby have not been amended subsequent to the date of availability of the no action letter issued by the Staff to Gilat Satellite Networks Ltd. in response to a request dated December 19, 2002.

I. Background

SanDisk. SanDisk is the worldwide leader in flash storage card products. SanDisk designs, develops and markets flash storage devices used for a wide variety of consumer electronics products such as digital cameras, mobile phones, Universal Serial Bus Drives, or USB Drives, gaming devices, MP3 players and other digital consumer devices. Flash storage allows data to be stored in a compact format that retains the data for an extended period of time after the power has been turned off. SanDisk has co-developed the Secure Digital card, which is currently the most popular form factor of flash storage card, and sells its products globally to retail and OEM customers. The SanDisk Shares are quoted on The NASDAQ Global Market under the symbol "SNDK." SanDisk files periodic reports with the SEC pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is

² Note that we are not seeking relief or confirmation with respect to the SanDisk Shares issuable upon the exercise, conversion or exchange of SanDisk Derivative Securities issued in connection with the Plan.

³ See Gilat Satellite Networks Ltd. (available December 19, 2002).

⁴ Section 350 was amended on March 12, 2006 as follows: (1) a clarification was added indicating that during the process of determining the number and percentage of participants in the general shareholders meeting and/or creditors meetings, out of the overall participants approving the Plan, the abstaining participants shall not be counted, and (2) the minister of Justice's authority to promulgate regulations under Section 350 was extended to include certain additional matters.

current with its reporting obligations thereunder. As of August 25, 2006, the aggregate market value of the issued and outstanding SanDisk Shares was approximately \$10.7 billion.

msystems. msystems develops, manufactures, and markets flash-based data storage solutions for markets, such as mobile phones, personal digital assistants, set-top boxes, embedded systems, military/rugged applications, personal computers and laptops. msystems primarily markets its products to original equipment manufacturers and consumer electronics companies through a combination of its sales force and independent distributors. msystems Shares are quoted on The NASDAQ Global Market under the symbol "FLSH." msystems is a foreign private issuer and files periodic reports with the SEC pursuant to Section 13 and 15(d) of the Exchange Act.

As of July 27, 2006, msystems' capitalization consisted of 100,000,000 authorized msystems Shares, of which (i) 38,078,902 msystems Shares were issued and outstanding; (ii) 15,000,000 msystems Shares were reserved for issuance under equity incentive plans, of which 5,623,453 were subject to outstanding options to purchase msystems Shares and 1,846,312 were available for grants of additional msystems Derivative Securities; and (iii) 2,635,278 msystems Shares were reserved for issuance upon the exercise of \$75 million aggregate principal amount of 1.0% Convertible Notes due 2035 issued by msystems Finance Inc., a subsidiary of msystems (the "**Convertible Notes**"). As of August 25, 2006, the aggregate market value of the issued and outstanding msystems Shares was approximately \$1.57 billion. Upon the effective date of the Plan, only holders of outstanding msystems Shares will receive SanDisk Shares. Holders of msystems Derivative Securities will only receive SanDisk Derivative Securities at a price and in an amount based on the Exchange Ratio, and they will not vote for the approval of the Plan or make an investment decision with respect to the Plan.

Upon the effective date of the Plan, the Convertible Notes will become convertible into SanDisk Shares based on the Exchange Ratio, but all other rights underlying the Convertible Notes will remain unchanged. Holders of Convertible Notes will not vote for the approval of the Plan or make an investment decision with respect to the Plan unless such vote is required by the Israeli District Court (the "**Israeli Court**").

However, in all cases, the Israeli Court will make a determination as to the fairness of the Plan to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes.

In June 2006, the Board of Directors of msystems (the "**Board**") commenced an internal review of prior stock option grants (the "Internal Review"), and appointed a special committee of the Board (the "**Special Committee**") to conduct the Internal Review. As described in detail in msystems' Annual Report on Form 20-F for the fiscal year ended December 31, 2005, based on the Special Committee's findings, msystems concluded that, for accounting purposes, the actual measurement dates of certain past stock option grants differed from the previously determined measurement dates for such grants, and msystems has accordingly determined that it should have

recognized primarily non-cash stock-based compensation expense and related tax adjustments which was not previously accounted for, in its previously issued financial statements. msystems voluntarily notified the staff of the SEC of the internal review, and the SEC requested that msystems voluntarily provide certain documents and information in connection with an SEC staff informal investigation relating to the past grants and exercises of msystems stock options (the "**SEC Informal Investigation**"). SanDisk and msystems have fully informed the Israeli Court about the Internal Review and the SEC Informal Investigation and will make available to the court all material information requested by it related to the Internal Review and the SEC Informal Investigation in order to allow the court to determine the effect, if any, that the Internal Review and the SEC Informal Investigation may have on the fairness determination to be made by the Israeli Court.

II. Description of Plan of Arrangement

A. Introduction

The issuance of SanDisk Shares in connection with the merger would be accomplished by means of the Plan pursuant to Section 350 of the Companies Law, which, as noted above, has previously been determined by the Staff to satisfy the requirements of Section 3(a)(10). The following description of the Plan is based upon discussions with the law firm of Naschitz, Brandes & Co., Israeli counsel for SanDisk, and upon their opinion letter relating to the Plan and the operation of Section 350 of the Companies Law (the "**Opinion Letter**"). A copy of the Opinion Letter is attached hereto as Annex A.

B. Summary of the Plan of Arrangement

SanDisk proposes to acquire msystems through the Plan, which will be effected through a merger. Upon the effective date of the Plan, (i) each msystems Share will be converted into a fraction of a SanDisk Share based on the Exchange Ratio; (ii) each msystems Derivative Security will be converted into a SanDisk Derivative Security at a price and in an amount based on the Exchange Ratio; and (iii) msystems will become a wholly-owned subsidiary of SanDisk. The Plan will be carried out pursuant to an agreement and plan of reorganization containing customary representations, warranties and covenants for transactions of this type (the "**Merger Agreement**"). The Plan will also be subject to customary closing conditions, including receipt of the approval of the Israeli Court. In accordance with the Companies Law, the Plan must be approved by a majority in number representing at least 75% of the msystems Shares voting in person or by proxy at the Meeting, as defined below (without taking into account any abstaining shareholders). The Israeli Court may also, in its discretion, require the approval of the same super-majority in interest of msystems creditors, including holders of Convertible Notes. However, whether or not the Israeli Court requires such approval, it will in all cases make a determination as to the fairness of the Plan to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes.

C. Procedure for Sanctioning the Plan of Arrangement

1. Application for Permission to Convene Meeting

In connection with the proposed Plan, msystems submitted an application to the Israeli Court for the implementation of the Plan and requested the Israeli Court to convene a general meeting of msystems shareholders. The Israeli Court has approved msystems' application to convene a general meeting of msystems' shareholders, as requested. The Israeli Court, in its discretion, may also require msystems to convene a meeting of msystems' creditors, including the holders of Convertible Notes (together with the shareholder meeting, the "Meetings"). As stated above, whether or not the Israeli Court requires a meeting of msystems' creditors, it will in all cases make a determination as to the fairness of the Plan to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes.

The application included, among other things, (i) a description of the proposed Plan and the reasons for it; (ii) a detailed description of msystems, its business, financial condition, creditors, capitalization and other matters; and (iii) the effect of the proposed Plan on the rights of msystems' shareholders and creditors. A copy of the application is required to be sent to each of msystems' principal shareholders⁵ and major creditors.⁶ msystems published information concerning the filing of the application in four daily newspapers with wide circulation in Israel (two in Hebrew, one in Arabic and one in Russian)⁷ and, because the Convertible Notes are outstanding, msystems also published information concerning the application in a newspaper with wide circulation in the United States.⁸ msystems will make a separate publication regarding the convening of the Meetings, as further described below. Under the Companies Regulations, any person who opposes the application is given 21 days from the date of the submission of the application to the Israeli Court to object to the application by submitting to the Israeli Court a written objection supported by an affidavit. It is the practice of Israeli courts, if any objections are filed, to hold a hearing to examine the application and the objections filed in opposition thereto.

As was required by the Merger Agreement, msystems informed the Israeli Court that, if the Plan is approved by the prescribed super-majority at the Meetings and subsequently sanctioned by the Israeli Court, such sanction would be relied upon by SanDisk as an approval of

⁵ A principal shareholder is defined in the Companies Law as a person holding more than 5% of msystems' issued share capital.

⁶ Defined in the Companies Regulations as (1) a secured creditor, (2) a person to whom msystems is indebted in an amount which is the greater of (a) the NIS equivalent of approximately US\$22,000 and (b) 15% of msystems' shareholders' equity, and (3) the trustee for msystems' notes, provided that the total amount under such notes exceeds the amounts set forth in subsection 2 above. msystems is required to deliver a copy of the application to the trustee under the indenture governing the Convertible Notes.

⁷ msystems published in the Israeli newspapers of Haaretz and Yedioth Ahronot in Hebrew, El Fajar El Gadid in Arabic and Vesti in Russian.

⁸ msystems published in the Wall Street Journal in the United States.

the Plan for the purpose of satisfying the requirements of Section 3(a)(10) of the Securities Act with respect to the SanDisk Shares to be issued in connection with the Plan.

2. Notice of Meetings to Shareholders and Creditors

The Companies Regulations require publication of the convening of the Meetings in the manner set forth above, unless instructed otherwise by the Israeli Court, and further require that notice of the Meetings be sent to all of msystems' principal shareholders and to all of its major creditors. Such notice must be accompanied by a copy of the application, including, among other things, (i) a description of the proposed Plan and the reasons for it; (ii) a detailed description of msystems, its business, financial condition, creditors, capitalization and other matters; (iii) the effect of the proposed Plan on the rights of msystems' shareholders and creditors; (iv) the order of the court to convene the Meetings; (v) a power of attorney to attend the Meetings; and (vi) a proxy card for the vote (collectively, the "**Information Statement**"). Although not required under the Companies Law and the Companies Regulations, under the Merger Agreement, msystems is required to deliver the Information Statement to each of msystems' shareholders. Notice of the Meetings will be published in the manner set forth above, unless instructed otherwise by the Israeli Court, and the notice and accompanying materials will be mailed at least 21 days (but not more than 45 days) prior to the Meetings.

The Information Statement will advise that meetings of msystems shareholders and, if required by the Israeli Court, creditors, have been scheduled so that they may consider the approval or rejection of the Plan. The Information Statement will also include information about the hearing scheduled before the Israeli Court and the position of msystems' board of directors with respect to the proposed exchange. Pursuant to the provisions of Section 350 of the Companies Law, the Plan would not become effective and binding unless and until (i) the Plan is approved at each of the Meetings by a majority in number representing not less than 75% of the interests present and voting in person or by proxy at such Meetings (without taking into account any abstaining participants), and (ii) following such approval, the final Plan is approved by the Israeli Court, in its sole discretion.⁹

3. Advertisement of the Plan of Arrangement

If the Plan is approved at the Meetings, msystems will, within 14 days from the date of the Meetings, apply to the Israeli Court to approve the Plan. Unless the Israeli Court instructs otherwise, the Companies Regulations require publication of a notice in four daily newspapers with wide circulation in Israel (two in Hebrew, one in Arabic and one in Russian) and, because the Convertible Notes were issued in the United States, msystems will be required to publish information concerning the application in a newspaper with wide circulation in the United States. Such notices will announce the approval of the Plan at the Meetings and state that persons may object to the Plan during a period of 10 days following the publication or receipt of notice, as the case may be, and no later than five days prior to the court hearing. In addition, under the Merger

⁹ msystems will provide the Information Statement prior to the Meetings and, following the Meetings, the approved Plan will be submitted to the court. SanDisk will not be required to be a party to the court procedures.

Agreement, msystems is required to send a notice to that effect to all of its shareholders and major creditors.

Any person¹⁰, including any holders of msystems Shares, holders of msystems Derivative Securities or holders of Convertible Notes, may oppose msystems' application for the approval of the Plan by filing with the Israeli Court an objection supported by an affidavit within the 10-day period following the publication or receipt of notice, as the case may be, and in any event, not later than five days prior to the court hearing. The hearing that will take place before the Israeli Court is intended to examine the application and the objections filed in opposition thereto, if any are filed, and to decide whether or not to approve the Plan.

4. Effectiveness of the Plan of Arrangement

Pursuant to the provisions of Section 350 of the Companies Law, the Plan would not become effective and binding unless and until the Plan is approved by the Israeli Court following a consideration of whether the terms and conditions of the proposed Plan (including the valuation of msystems and the consideration to be received by msystems' shareholders and creditors upon the implementation of the Plan) are fair to msystems' shareholders and creditors, and are reasonable under the circumstances. In making its decision, the court will balance the interests of the majority and minority and determine the best interests of msystems. The court is required to ensure that the Plan was made in good faith and for purely commercial considerations. Once the Plan has become effective, it will be binding upon any and all persons including those shareholders and creditors that did not vote in favor of the Plan or object to it.

III. Legal Analysis and Discussion

A. Section 3(a)(10)

Section 3(a)(10) provides an exemption from the registration requirements of the Securities Act for, in relevant part, ". . .any security which is issued in exchange for one or more bona fide outstanding securities, claims or property interests. . .where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear, by any court. . . expressly authorized by law to grant such approval."

In Revised Staff Legal Bulletin No. 3 (October 20, 1999) ("**Revised SLB No. 3**"), the Staff identified the following conditions that must be met before reliance may be made upon the exemption provided in Section 3(a)(10):

- (1) The securities must be issued in exchange for securities, claims or property interests; they cannot be offered for cash.

¹⁰ Under the Regulations, any person (not just msystems' securityholders or creditors) may oppose the application.

- (2) A court or authorized governmental entity must approve the fairness of the terms and conditions of the exchange.
- (3) The reviewing court or authorized governmental entity must (a) find, before approving the transaction, that the terms and conditions of the exchange are fair to those to whom securities will be issued, and (b) be advised before the hearing that the issuer will rely upon the Section 3(a)(10) exemption based on the court's or authorized governmental entity's approval of the transaction.
- (4) The court or authorized governmental entity must hold a hearing before approving the fairness of the terms and conditions of the transaction.
- (5) A governmental entity must be expressly authorized by law to hold the hearing, although it is not necessary that the law require the hearing.
- (6) The fairness hearing must be open to everyone to whom securities would be issued in the proposed exchange.
- (7) Adequate notice of the hearing must be given to all those persons.
- (8) There cannot be any improper impediments to the appearance by those persons at the hearing.

The Plan and the procedures to be held under Section 350 of the Companies Law would satisfy these conditions, as further described in the following corresponding paragraphs:

(1) **The Exchange.** Under the Plan, SanDisk will issue SanDisk Shares for msystems Shares and SanDisk Derivative Securities for msystems Derivative Securities, not for cash or property, although cash may be paid for fractional share interests and pursuant to orders of the Israeli Court for dissenting shares.

(2) **Court Approval.** The Staff stated in Section 4.B.4. of Revised SLB No. 3 that the term "any court" in Section 3(a)(10) includes a foreign court. The Staff has previously recognized the Israeli Court acting under Section 350 of the Companies Law as a foreign court qualified to approve the fairness of the terms and conditions of an exchange.¹¹ As discussed in the Opinion Letter, Section 350 of the Companies Law has its origin in, and is similar in material respects to, Section 425 of the United Kingdom Companies Act 1985 (the "**U.K. Companies Act**"), and the Staff has previously granted such recognition to the High Court of Justice in England and Wales acting under Section 425 of the U.K. Companies Act,¹² as well as foreign

¹¹ See Gilat *supra*.

¹² See, e.g., Global TeleSystems (Europe) Limited (available June 14, 2001); Omnicom Group Inc. (available January 28, 1999); The Rank Organisation Plc, The Rank Group Plc (available August 6, 1996).

courts in jurisdictions operating under statutes that are materially similar to Section 425 of the U.K. Companies Act.¹³

(3) Determination of Fairness and Advice of Section 3(a)(10) Reliance. As discussed in the Opinion Letter, under Section 350 of the Companies Law, the Israeli Court will be required to affirmatively conclude that the Plan is fair, procedurally and substantively, to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes, including those holders in the United States, before it can approve the Plan.¹⁴ In reaching its determination as to fairness, the Israeli Court will consider, among other things, (i) the information in the application for the Israeli Court's approval of the Plan, and (ii) any objections filed in opposition to the Plan. It is expected that at the hearing, in accordance with the practice of Israeli courts, the Israeli Court will consider the presentation made by counsel on behalf of msystems concerning the fairness of the Plan and the grounds for any objections to the Plan.

The Opinion Letter indicates that in determining whether to exercise its discretion and approve the Plan, the Israeli Court will consider the "commercial fairness" of the Plan, "compliance with basic fairness standards towards all relevant parties" and "examine whether the arrangement is such that an intelligent honest man would, in a reasonable manner, vote in favor of the arrangement, as a member of the meeting concerned." Pursuant to Section 350 of the Companies Law, the Plan also derives its force from the Israeli Court's sanction and not only from the approval of the Plan at the Meetings. As discussed in the Opinion Letter, the Israeli Court would not "act as a rubber stamp." Pursuant to the Merger Agreement, msystems has informed the Israeli Court prior to the convening of the Meetings that, upon the approval of the Plan by the prescribed super-majority at the Meetings and subsequently, the Israeli Court's approval of the Plan, such court approval would be relied upon by SanDisk as an approval of the Plan for the purpose of determining that the SanDisk Shares and SanDisk Derivative Securities issued in connection with the Plan met the requirements of Section 3(a)(10).

¹³ See, e.g., AngloGold Limited (available January 15, 2004) (High Court of Ghana acting under Section 231 of the Ghana Companies Code); Constellations Brands, Inc. (available January 29, 2003) (Supreme Court of Australia acting under Section 411 Australian Corporations Act 2001); Ashanti Goldfields Company Limited (available June 19, 2002) (Grand Court of the Cayman Islands); Canadian Pacific Limited (available August 15, 2001) (Alberta Court of Queen's Bench); John Wood Group PLC (available March 1, 2001) (Court of Session in Scotland); Gold Fields of South Africa Limited (available January 21, 1988) (High Court of South Africa); and China Light & Power Company, Limited (available January 2, 1998) (High Court of Hong Kong Special Administrative Region).

¹⁴ See John Wood Group PLC (available March 1, 2002) (Court of Session will be required to make an affirmative determination of fairness); Galen Holdings PLC (available August 7, 2000) (High Court of the Republic of Ireland determined fairness as to holders of ordinary shares and deferred shares); The Development Bank of Singapore Ltd. (available August 12, 1999) (High Court of the Republic of Singapore determined fairness as to all holders of shares, including holders of ordinary shares as a class); ADC Telecommunications, Inc. (available July 30, 1999) (High Court of Ireland determined fairness as to holders of ordinary shares and deferred shares); Omnicom Group Inc. (available January 28, 1999) (High Court of Justice in England and Wales determined fairness as to holders of ordinary shares and deferred shares).

In addition, the contents of the motion for approval of the Plan will contain sufficient information for the Israeli Court to determine the value of both the msystems securities to be exchanged and the securities to be issued by SanDisk in the proposed transaction.

(4) Court Hearing. Under the Companies Regulations, any person may oppose the application for the Plan, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes, by filing an objection supported by an affidavit during the 21-day period after submission of the initial application for permission to convene a meeting. Further, any person may oppose the application for the Israeli Court's approval of the Plan during the 10-day period after publication of the approval of the Plan at the Meetings or receipt of notice, as the case may be, but in no event later than five days prior to the hearing. At that hearing, the Israeli Court will consider the fairness of the Plan to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes. The court hearing will be open to attendance by the public. Any person wishing to appear and be heard at such court hearing would be able to do so by filing an objection, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes. The Israeli Court in its discretion may also permit any person who has not filed an objection to state his or her objections to the Israeli Court if he or she personally appears at the court hearing.

The procedure for making objections to the Plan relies on Section 350 of the Companies Law, which Section and operations have been previously sanctioned by the Staff. Additionally, according to the Opinion Letter, Section 350 of the Companies Law does not differ substantively from the procedure provided for in a proceeding pursuant to Section 425 of the U.K. Companies Act, which the Staff has also previously sanctioned. Instead of calling a hearing for purposes of sanctioning the Plan at which any party can appear and object, as provided in the procedure for a U.K. Section 425 proceeding, the normal procedure for a proceeding under Section 350 of the Companies Law provides for a 10-day period, following the publication or notice of the filing of an application for the approval of the Plan by the Israeli Court, during which objections can be filed, whereupon the Israeli Court will schedule a hearing to evaluate the objections, or may proceed to evaluate the Plan without a hearing if no objections or requests for a hearing are filed. Note that under the Merger Agreement, msystems is required to apply for a court hearing whether or not any objections are filed. SanDisk has been advised that, based upon current court practice, even if no objections are filed, once msystems requests a court hearing, in all likelihood such hearing will occur. SanDisk therefore believes that a hearing will occur in this instance. SanDisk acknowledges that a court hearing is a prerequisite to receiving the Staff's confirmation as requested in this letter.

In both the Israeli and English procedures that have been accepted by the Staff, the court has an independent obligation to make a determination of fairness, regardless of whether any parties object to the plan and independent of whether the requisite majorities have been obtained. The statutory requirement of Section 3(a)(10) states that there be "...a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in

such exchange shall have the right to appear....” We therefore believe that the court hearing that will take place satisfies the statutory requirement of Section 3(a)(10).

(5) **Authorization of Governmental Entity.** The hearing will be held by a court and not an “other governmental entity.”

(6) **Open Hearing.** The court hearings will be open to attendance by any person, including all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes, including all holders resident in the United States.

(7) **Notice.** The Opinion Letter confirms that SanDisk will cause msystems to provide notice of the hearing date to all holders of msystems Shares and to the holders of Convertible Notes.

(8) **No Improper Impediments.** There will be no improper impediments to attend the court hearing. Any person who may be affected by the Plan, including each class of msystems securityholders and its creditors, and wishing to appear and be heard before the Israeli Court may file an objection to the application for the Israeli Court’s approval of the Plan and an affidavit in support of such objection. The Israeli Court in its discretion may also permit any person who has not filed an objection to state its objections to the Israeli Court if he or she attends the court hearing. Accordingly, the requirement of Section 3(a)(10) that the holders of the msystems securities to whom securities will be issued under the proposed Plan, shall have the right to appear at a fairness hearing, will be fulfilled.

Based on the foregoing and in reliance upon the Opinion Letter, we are of the opinion that the rights of all holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes (including holders in the United States) to appear before the Israeli Court at the hearing, to object to the Plan and to express their opinions regarding the fairness of the terms of the Plan, fulfills the requirements of Section 3(a)(10) and that the Plan may be effected as described above without compliance with the registration requirements of the Securities Act by virtue of Section 3(a)(10).

B. Resale of SanDisk Shares

The Staff has adopted the position that securities issued in Section 3(a)(10) transactions must be resold by holders in the manner permitted by Rule 145(c) and (d) under the Securities Act if those holders are affiliates of any party to the exchange at the time of the Section 3(a)(10) exempt sale.¹⁵

¹⁵ See Revised SLB No. 3, Section 5.

On the basis of the foregoing it is our understanding that:

- (1) persons may resell their SanDisk Shares without regard to Rules 144 or 145(c) and (d) if they are not affiliates of either msystems or SanDisk before the transaction and are not affiliates of SanDisk after the transaction;
- (2) persons may resell their SanDisk Shares in the manner permitted by Rule 145(d)(1), (d)(2) or (d)(3) if they (a) are affiliates of SanDisk or msystems before the transaction but (b) are not affiliates of SanDisk after the transaction. However, in computing the holding period of the Section 3(a)(10) securities for purposes of Rule 145(d)(2) or (d)(3), such persons may not "tack" the holding period of the securities exchanged for the Section 3(a)(10) securities in the Section 3(a)(10)-exempt transaction; and
- (3) persons may resell their SanDisk Shares in the manner permitted by Rule 145(d)(1) if they are affiliates of SanDisk or msystems before the transaction and are affiliates of SanDisk after the transaction.

We respectfully request that the Staff confirm that it will not recommend any enforcement action to the SEC if the SanDisk Shares are to be resold as described above.

* * *

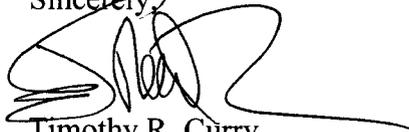
We respectfully request the Staff's confirmation (i) that it will not recommend any enforcement action to the SEC if the proposed Plan is effected as described above, without registration under the Securities Act of the issuance of SanDisk Shares and SanDisk Derivative Securities, in reliance on our opinion that no such registration is required for the issuance, offer and sale of such securities by virtue of Section 3(a)(10), and (ii) as to the matters concerning resale of the SanDisk Shares set forth under "Resale of SanDisk Shares" above. If for any reason you do not concur with any of the opinions expressed in this letter, we respectfully request an opportunity to confer with you prior to any written response.

If you have any questions about this request or desire any additional information regarding the matters discussed in this letter, please contact me at (650) 473-2627.

In accordance with SEC Release 33-6269, we have enclosed an original and seven (7) copies of this letter.

Please acknowledge receipt of the foregoing by stamping and returning the enclosed receipt copy of this letter in the self-addressed, stamped envelope enclosed for that purpose.

Sincerely,



Timothy R. Curry
of O'Melveny & Myers LLP

ANNEX A

Opinion Letter

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September 21, 2006

To:

O'Melveny & Myers LLP
2765 Sand Hill Road
Menlo Park, CA 94070

Re: SanDisk Corporation: Acquisition by means of a Proposed Plan of Arrangement

Dear Sirs,

We act as Israeli legal counsel to SanDisk Corporation, a Delaware corporation ("SanDisk") in connection with SanDisk's proposed acquisition of msystems Ltd. a public company organized under the laws of the State of Israel ("msystems"). Definitive agreements for the proposed acquisition were executed and the transaction was publicly announced on July 30, 2006. You have requested us to provide you with an opinion on certain matters of Israeli law regarding a plan of arrangement under Section 350 of the Israeli Companies Law-1999 (the "**Companies Law**"). Pursuant to the definitive agreements, upon the effective date of msystems' plan of arrangement (the "**Plan**"): (a) each ordinary share of msystems, par value NIS \$0.001 ("**msystems Share**") will be converted into 0.76368 of a share (the "**Exchange Ratio**") of SanDisk common stock, par value \$0.001 (the "**SanDisk Shares**"), (b) each option, warrant, convertible note or other convertible, exercisable or exchangeable security or security that vests over time entitling the holder thereof to acquire msystems Shares (collectively, "**msystems Derivative Securities**") will become an option, warrant, convertible note or other security to acquire SanDisk Shares, preserving the value and containing the essential terms of such msystems Derivative Securities, at a price and in an amount based on the Exchange Ratio (the "**SanDisk Derivative Securities**"), and (c) msystems will become a wholly-owned subsidiary of SanDisk. To our knowledge all msystems Derivative Securities are convertible into, or exercisable or exchangeable for msystems Shares and not for any other class of security and the msystems Shares are the only class of equity security that is issued and outstanding.

You have requested our opinion in order to assist you in considering whether the procedures under section 350 of the Companies Law satisfy the requirements of section 3(a)(10) of the Securities Act of 1933 of the United States, as amended (the "**Securities Act**") and, in particular, whether the proposed issuance by SanDisk of SanDisk Shares to current shareholders of msystems and SanDisk Derivative Securities to current holders of msystems Derivative Securities pursuant to the Plan

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may be made without registration of the SanDisk Shares under the Securities Act in reliance on the exemption from registration provided by the above mentioned section of the Securities Act.

We understand that section 3(a)(10) of the Securities Act exempts from registration:

" . . . any security which is issued in exchange for one or more bona fide outstanding securities, claims or property interests, or partly in such exchange and partly for cash, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear, by any court, or by any official or agency of the United States, or by any state or territorial banking or insurance commission or other governmental authority expressly authorized by law to grant such approval."

Against the above background facts, we were asked to state in our opinion:

(a) whether the Israeli court that is required, under Section 350 of the Companies Law, to approve the Plan would consider, before approving the Plan, whether the Plan is fair to all parties affected by it and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes;

(b) whether all persons to whom it is proposed to issue SanDisk Shares in the exchange will receive notice of, and have the right to appear at, any such court hearing; and

(c) whether the court will be advised before the hearing that SanDisk will rely on the Section 3(a)(10) exemption and not register the exchange under the Securities Act on the basis of the court's approval of the exchange.

Section 350 Plan of Arrangement

Set forth below is a general description of the nature of a plan of arrangement, such as the Plan, under Section 350 of the Companies Law and the regulations promulgated thereunder (the "**Regulations**"), the functions of the court in relation to such a plan and certain related procedural aspects. It is a matter of the laws of the United States (on which we do not express any opinion) whether these fulfill the requirements of section 3(a)(10) of the Securities Act.

Section 350

Section 350 of the Companies Law has its origin in, and is similar in material respects to, Section 425 of the Companies Act 1985 of Great Britain.

Section 350 of the Companies Law and the Regulations provide for the convening of meetings of shareholders or creditors of a company (or any class of such shareholders or creditors), at the discretion of the court, for the purpose of considering and, if thought fit, approving a plan of arrangement between a company and its shareholders or creditors.

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Obtaining the court's sanction of the Plan involves two applications to the court by msystems. As part of the first application to the court for the implementation of the Plan, msystems has applied for permission to convene a meeting of its shareholders. This first application required msystems to submit to the court extensive information about itself, including a description of its business, financial situation, creditors, capitalization, etc.; the proposed Plan and the reasons for it; the effect of the proposed Plan on the rights of the existing shareholders and creditors; a description of the offer to the shareholders and all such other material information as would be required by a reasonable shareholder in deciding whether to approve the proposed Plan.¹

Upon submission of the application to the court, msystems was required to deliver a copy of the application to its principal shareholders² and major creditors,³ to publish information concerning the application in (unless the Israeli Court were to instruct otherwise) four newspapers with wide circulation in Israel (two in Hebrew, one in Arabic and one in Russian) and, in the event that most of msystems' major creditors reside outside of Israel, in a daily newspaper in the country where the majority of such major creditors reside or on msystems' web-site. Since msystems Finance Inc. a subsidiary of msystems, has issued convertible notes for an aggregate principal amount of \$75 million (the "**Convertible Notes**") in the United States, msystems has published information concerning the application also in a newspaper with wide circulation in the United States.⁴ The Regulations provide that following submission of the application to the court, any person may oppose the application for the Plan by submitting to the court a written objection supported by an affidavit within 21 days following msystems' submission.⁵ The court makes its own determination whether msystems' application calls for the appropriate meetings, with a view to ensure that all persons affected by the Plan will have an opportunity to vote at a meeting. The court has approved msystems' application as requested.

In the event any objections are filed or if msystems so requests, it is the practice of the court to examine these objections in a court hearing. Under the definitive agreements between SanDisk and msystems, msystems was required to request a court hearing (which it did) and, accordingly, in all likelihood, such hearing will take place. The court reviews msystems' application and related submissions regardless of whether any objections are filed.

msystems is required under the Regulations to send to its principal shareholders and major creditors, a notice of the meetings, the order of the court to convene the meetings, the application for the proposed Plan submitted to the court, a power of attorney to attend the meetings in accordance with the Regulations and a proxy card for the vote (the notice and all such materials collectively, the "**Information Statement**"). The Regulations require that the Information Statement be sent at least 21 days (but not more than 45 days) prior to the convening of the meeting(s). msystems will also publish information regarding the convening of the meetings in four newspapers with wide circulation in Israel and in a newspaper with wide circulation in the United States as set forth above.

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Although not required under the Companies Law and the Regulations, we understand that SanDisk has required msystems to deliver the Information Statement to each of msystems' shareholders and to the Convertible Note holders, and for such Information Statement to contain, *inter-alia*, a description of the rights of a shareholder to object to the Plan, as described herein, information on the hearing scheduled before the Israeli Court, and any position of msystems' board of directors with respect to the advisability of the exchange.

The second application to the court is made within 14 days from the date of the shareholders' meeting at which the Plan is approved in order to obtain court sanction of the Plan. Unless the court directs it otherwise, msystems will publish a notice in four newspapers with wide circulation in Israel and in a daily newspaper with wide circulation in the United States announcing the approval of the Plan at the meeting(s) and stating that any person may object to the Plan during the period of 10 days following the publication or receipt of notice, as applicable. We understand that a notice to that effect will be included in the Information Statement. Any person, including any holders of msystems Shares, holders of msystems Derivative Securities or holders of Convertible Notes, may oppose the application of msystems for approval of the Plan by the court (even after the approval of the Plan at the shareholders' meeting) by filing an objection supported by an affidavit within the period of 10 days following the publication or receipt of notice, as applicable, and in any event by not later than five days prior to the date set by the court for a hearing, if any.⁶ Generally, in the event any objections are filed, the court will hear the objections at the hearing. If an objection is rejected by the court, it is the practice of the courts in Israel, in accordance with precedents of the Supreme Court of Israel, to set forth its reasons for its decision.⁷ Thus, opportunities for objection to the Plan are available to any person both in connection with the first application for a meeting of shareholders and also in connection with the second application for approval of the Plan by the court.

The Israeli court has been advised that SanDisk will rely on the Section 3(a)(10) exemption and not register the issuance of the SanDisk Shares under the Securities Act on the basis of the court's approval of the Plan.

In special circumstances, the court may extend the time periods provided for in the Regulations.

As provided in section 350(9) of the Companies Law, a Plan is not binding unless sanctioned by the Court:

"If a majority of those present and voting at a meeting said in subsection (a) [i.e., a shareholders or creditors meeting], who jointly have three fourths of the value represented at the vote, agreed to a compromise or arrangement, *and if the court sanctioned the compromise or arrangement*, then that binds the company and all creditors or shareholders or the class thereof, as the case may be . . ." (emphasis added)

Classes of shareholders/ creditors

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Following msystems' application to the court, in which msystems has set forth the reasons supporting its request that only one shareholders meeting is required to be convened, the court may have determined that other meetings of shareholders and/or creditors are required to be convened. In this case, the court has not ordered msystems to convene a meeting of any other classes of shareholders and/or creditors.

Function of the Court

Pursuant to the provisions of Section 350 of the Companies Law, the Plan would not become effective and binding unless and until (i) the Plan is approved at the meeting by a majority in number representing not less than 75% by value represented at such meeting, who are present and voting in person or by proxy at the meeting (without taking into account the abstaining participants), and (ii) following such approval, the final Plan as approved at such meeting, is approved by the Israeli Court, in its sole discretion.

Accordingly, the function of the court in exercising its judgment as to whether it should sanction a plan under Section 350 of the Companies Law is twofold. First, the court considers the constitution of the classes of shareholders and/or creditors, as applicable, and is required to confirm whether the requisite vote has been obtained, because – absent such requisite vote - the court would not have the jurisdiction to sanction a compromise or arrangement between msystems and its shareholders or creditors or any class thereof.

Second, the court retains discretion to approve or reject the substance of a plan even if the statutory majority has approved it. In making its decision, the court will consider the fairness of the Plan for msystems' shareholders, and whether the terms and conditions of the Plan (including msystems' valuation for the purpose of the Plan and the consideration to be received by msystems' shareholders upon the implementation of the Plan)⁸ are reasonable under the applicable circumstances. In making its decision, the court will attempt to balance between the desires of the majority and the minority and to determine the best interests of msystems and any and all other interested parties as a whole.⁹ The court is required to ensure that the Plan was made in good faith and for 'pure commercial motivations'.¹⁰ Once the Plan becomes effective, it will be binding upon any and all persons including those shareholders that did not vote in favor of the Plan (or objected to it).

The discretion of a court to approve or reject the substance of a plan has been clearly laid down in various decisions of the Supreme Court of Israel. In the matter of 303/66 The Official Receiver v. Sagiv [1966], Justice Zusman stated that:

"As Judge Lindley said in the matter of The English Scottish and Australian Chartered Bank [1893], the court does not function as a registration office for arrangements, even if it receives the consent of the necessary majority of the creditors, and does not grant its approval to a creditors' arrangement as a matter of common practice. Even though, allegedly, the creditors know better than the court, whether an arrangement is in their best of interests, or not, and once a proposed arrangement was approved by a distinctive majority of creditors, the court shall not deny the approval of such

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arrangement unless having substantial reasons to do so. But, the court must deny the approval, if it damages the commercial fairness. The approval by the court of such arrangement is not in the public interest. The discretion concerning the sanction of arrangements - is a commercial discretion, but in the place where a reasonable businessman would not interfere with such arrangement, the court would not do so either". [unofficial translation of Hebrew original]

The Supreme Court of Israel, in 3225/99 Shikun Ovdim v. Teshet [1999], stated that:

"It is well known that the court, while sanctioning an arrangement, shall not act as a rubber stamp, as Judge Lindley said in an 1893 case, and is entitled not to sanction an arrangement if, in its opinion, such arrangement prejudices the commercial fairness." [unofficial translation of Hebrew original]

The Supreme Court of Israel, in 6010/99 David Sasson v. The Official Receiver [2000], held that the court could sanction creditors arrangements "subject to compliance with basic fairness standards towards all relevant parties." [unofficial translation of Hebrew original]

The district court of Tel Aviv discussed the role of the court in reviewing a share exchange pursuant to a plan of arrangement in 4139/01 Kvutzat Carmel Hashkaot Ltd. v. Haphoenix Haisraeli Hevra Lebituach Ltd., and stated that:

". . . It is understood that among the factors that the court should review is that the rights of the minority will not be prejudiced under the standards and principles set by the statutes and court decisions, and while also taking an objective view of the matter for the benefit of the shareholders, the company, the creditors and any other interested parties, as a whole." [unofficial translation of Hebrew original]

As a matter of practice, the court does not require further evidence that a plan is fair unless the plan is challenged. Yet, the fact that a plan is not challenged does not relieve the court of its duty to consider the fairness and reasonableness of the plan to each class of securityholders and creditors.

Leading scholars of the Israeli Companies Law have further described the role of the courts, both procedurally and substantively, when sanctioning an arrangement under section 350 as follows:

"The court shall examine the question whether the meetings were properly summoned and held, the substance of the plan, the extent of its fairness and reasonableness, and whether the arrangement would adversely affect the minority of creditors, a specific class of creditors, or the public interest."¹¹ [unofficial translation of Hebrew original]

"Section 233¹² leaves the court with the discretion on whether to sanction an arrangement. The discretion is not limited to an examination of whether the technical requirements of the section were satisfied, the proper meetings were summoned and convened as required by law, the voting shareholders received adequate information and the required majority was obtained, etc. The court has the power to examine whether the majority in every class meeting acted in good faith and in a fair manner. The court shall examine whether the resolution approved at the different classes were

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adopted to promote the general interest of such class, and not the private interests of the majority, or out of coercion of the minority by the majority."¹³ [unofficial translation of Hebrew original]

"The court does not function as a "registrar for arrangements," it has the ability - besides examining that the voting was conducted in good faith - to examine whether the arrangement is such that an intelligent honest man would, in a reasonable manner, vote in favor of the arrangement, as a member of the meeting concerned."¹⁴ [unofficial translation of Hebrew original]

"The 'safety valve' for ensuring that the rights of the minority will not be prejudiced is the court's approval that ensures that the transaction was planed in good faith and for pure commercial motivations."¹⁵ [unofficial translation of Hebrew original]

Conclusion

For the above reasons and as a matter of Israeli law, it is our opinion that:

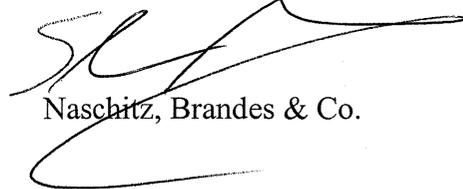
- (a) the court, before approving the Plan, will be required to find that the exchange is fair procedurally and substantively to all parties affected by the Plan and all categories of holders of msystems securities, including holders of msystems Shares, holders of msystems Derivative Securities and holders of Convertible Notes;
- (b) all persons to whom it is proposed to issue SanDisk Shares as part of the Plan shall receive notice of, and any person shall have the right to attend and object to, the approval of the Plan by the Israeli court, in any court hearing, which in all likelihood will be held under the circumstances described above; and
- (c) the court has been advised before the hearing that SanDisk will rely on the Section 3(a)(10) exemption and not register the exchange under the Securities Act on the basis of the court's approval of the exchange.

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Our opinion relates solely to Israeli law as of the date of this opinion. This opinion is addressed to you personally and it may not be relied upon by anyone else without our prior written consent although we understand that this letter will be appended to and relied upon by you in connection with your submission to the Securities and Exchange Commission in respect of the issue of a no-action letter concerning the Plan and the use of this opinion for that purpose and your reliance thereon is hereby authorized.

Very truly yours,

A handwritten signature in black ink, appearing to be a stylized name, possibly 'S. Brandes', written over the typed name of the firm.

Naschitz, Brandes & Co.

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Endnotes

1 Regulation 7.

2 A person holding more than 5% of the company's issued share capital.

3 A major creditor is defined in the Regulations as a (a) secured creditor, (b) a person to whom the company is indebted in an amount which is the greater of (i) the NIS equivalent of approximately US\$22,000, and (ii) 15% of the company's shareholders' equity, and (c) a trustee for the company's notes, provided that the total amount of such notes exceeds the amounts set forth in subsection (b) above. msystems will deliver a copy of the application to the trustee under the indenture of the Convertible Notes.

⁴ msystems has published in the Israeli newspapers of Haaretz and Yedioth Ahronot in Hebrew, El Fajar El Gadid in Arabic, Vesti in Russian and in the Wall Street Journal in the United States.

5 Regulation 11.

6 Regulation 34.

7 See Supreme Court decision in 7/83 Baires v. Rabbinical Court of Haifa, 38(1) 673, 689.

8 See 32148/00 in the matter of Nichsey Mishkey Hanegev Ltd. v. Mishkey Hanegev Aguda Shitufit Merkazit Lechaklaut Ltd.

9 See 4139/01 Kvutzat Carmel Hashkaot Ltd. and others v. Haphoenix Haisraeli Hevra Lebituach Ltd. and others (not published), 11.

10 Hanes S. and Yadlin O, "Merger, Reverse Merger and Acquisition in the Companies Law" Hapraklit (47) 104, 126.

11 Cohen J., "Companies Law (Volume 3)" (1994), page 632.

12 Section 350 to the Companies Law is the successor to Section 233 of the Companies Ordinance.

13 Bahat Y., "Companies Rehabilitation Law"(1989), page 150.

14 Bahat Y., "Companies Rehabilitation Law"(1989), page 351. See also Felman A., "Companies Law in Israel (Volume 2)", pages 996-998.

15 Note 9 above, 126.