

Golden West Brewing Company, Inc.
Form 10-Q
August 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT**
For the transition period from _____ to _____

Commission file number 000-51808

GOLDEN WEST BREWING COMPANY, INC.
(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or
organization)

90-0158978
I.R.S. Employer
Identification number

945 West 2nd Street, Chico, CA 95928
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (530) 894-7906

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of August 14, 2008, the Registrant had 3,370,000 shares of its Common Stock outstanding.

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PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Golden West Brewing Company, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2008 and December 31, 2007, and its results of operations for the three month and six month periods ended June 30, 2008 and 2007 and its cash flows for the six month periods ended June 30, 2008 and 2007 and the statement of stockholders' deficit as of June 30, 2008. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF

	(Unaudited)	
	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Current Assets:		
Cash and cash equivalents	\$ 652	\$ 4,684
Accounts receivable, net of allowance for doubtful accounts of		
\$23,876 and 23,849 at June 30, 2008 and December 31, 2007	226,913	184,014
respectively		
Inventory (Note 1)	114,385	197,871
Prepaid Expenses	<u>12,600</u>	<u>6,369</u>
Total current assets	354,550	392,938
Fixed Assets:		
Property and equipment net of accumulated depreciation of \$79,055		
and \$63,134 at June 30, 2008 and December 31, 2007	268,009	277,526
, respectively (Note 1)		
Other Assets:		
Intangibles, net of accumulated amortization of \$15,511 and \$12,339		
at June 30, 2008 and December 31, 2007, respectively	20,416	23,588
Deferred financing costs, net of accumulated amortization of		
\$89,383 and \$2,456 at June 30, 2008 and December 31, 2007		
respectively.	104,677	92,814
Other assets	<u>16,221</u>	<u>14,731</u>

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Total other assets	<u>141,314</u>	<u>131,133</u>
Total Assets	<u>\$ 763,873</u>	<u>\$ 801,597</u>

LIABILITIES AND STOCKHOLDERS DEFICIT

Current Liabilities:

Accounts payable	\$410,657	\$309,887
Accrued expenses	234,413	188,175
Checks issued in excess of funds available	19,309	46,022
Lines of credit payable (Note 2)	32,133	32,602
Advances related parties	9,000	12,744
Notes payable other, current portion (Note 2)	70,072	62,664
Notes payable related party, current portion (Note 2)	<u>1,051,054</u>	<u>161,054</u>
Total current liabilities	1,826,638	813,148

Long-term liabilities:

Note payable related party, net of current portion (Note 2)	<u>-</u>	<u>725,000</u>
Total long-term liabilities	-	725,000
Total Liabilities	1,826,638	1,538,148

Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 9 and 10)

Stockholders Deficit:

Preferred Stock, \$.0001 par value, 5,000,000 shares authorized,

300,000 shares issued and outstanding as of

June 30, 2008 and December 31, 2007	30	30
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Common stock, \$.0001 par value, 20,000,000 shares authorized,

3,368,500 and 3,335,000 shares issued and outstanding

as of June 30, 2008 and December 31, 2007 , respectively	337	334
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Additional paid-in capital	1,593,898	1,485,033
Accumulated (deficit)	<u>(2,657,030)</u>	<u>(2,221,948)</u>
Total Stockholders Deficit	<u>(1,062,765)</u>	<u>(736,551)</u>
Total Liabilities and Stockholders Deficit	<u>\$ 763,873</u>	<u>\$ 801,597</u>

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended June 30,		For the six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues	\$ 373,390	\$ 348,757	\$ 725,490	\$ 660,439
Less: Excise taxes	<u>(14,026)</u>	<u>(12,533)</u>	<u>(26,344)</u>	<u>(27,367)</u>
Net revenues	359,364	336,224	699,146	633,072
Cost of sales	<u>325,764</u>	<u>270,747</u>	<u>572,136</u>	<u>499,536</u>
Gross profit	<u>33,600</u>	<u>65,477</u>	<u>127,010</u>	<u>133,536</u>
Operating expenses:				
Depreciation and amortization	57,636	8,341	105,882	16,972
Legal and accounting	46,133	36,390	65,714	56,583
Management compensation	24,088	30,501	59,674	54,751
Rent	11,178	11,178	22,356	22,356
Stock-based compensation	3,338	13,927	6,676	22,404
Selling expenses	29,907	32,855	64,449	59,349
Other	<u>85,680</u>	<u>64,727</u>	<u>170,580</u>	<u>138,518</u>
Total operating expenses	<u>257,960</u>	<u>197,919</u>	<u>495,331</u>	<u>370,933</u>
Operating (Loss)	<u>(224,360)</u>	<u>(132,442)</u>	<u>(368,321)</u>	<u>(237,397)</u>
Other Income (Expense):				
Miscellaneous income	144	801	210	1,233
Equipment Sales - Net	-	-	-	1,612

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Loan Fees	(1,750)	-	(10,750)	-
Interest expense	(29,359)	(33,255)	(56,221)	(52,915)
Stock Warrant	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,869)</u>
Financing Cost				
Total other (expense)	<u>(30,965)</u>	<u>(32,454)</u>	<u>(66,761)</u>	<u>(172,939)</u>
Net (Loss)	\$ (255,325)	\$ (164,896)	\$ (435,082)	\$ (410,336)
Preferred dividends	<u>6,674</u>	<u>-</u>	<u>13,348</u>	<u>-</u>
Net Loss attributable to common shareholders	<u>260,999</u>	<u>(164,896)</u>	<u>(447,430)</u>	<u>(410,336)</u>
Net Loss per share	<u>\$ (.08)</u>	<u>\$ (.06)</u>	<u>\$ (.13)</u>	<u>\$ (.15)</u>
Weighted Average Shares				
Outstanding	<u>3,360,912</u>	<u>2,818,000</u>	<u>3,360,912</u>	<u>2,818,000</u>

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
JUNE 30, 2008 (UNAUDITED)

	Preferred Stock		Common Stock		Additional		<u>Totals</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-In Capital</u>	<u>Accumulated (Deficit)</u>	
Balance, December 31, 2006			2,418,000	241	594,845	(1,220,385)	(625,299)
Stock issued for cash at \$0.35, March, 2007			400,000	40	129,385		129,425
Stock purchase warrants issued in financing, March, 2007					122,869		122,869
Stock issued for cash at \$0.33, July, 2007			282,000	28	93,032		93,060
Stock issued for cash at \$0.50, September, 2007			100,000	10	49,990		50,000
Advances converted to Preferred Stock at \$0.75, September, 2007	300,000	30			224,970		225,000
Advance and accrued interest converted to stock, September, 2007			15,000	2	9,973		9,975
Paid-in capital related to common stock					10,000		10,000
previously subject to rescission							
Shares issued for investor relations at \$1.10, September, 2007			100,000	10	109,990		110,000
Shares issued for loan fees at \$0.70, December, 2007			15,000	2	10,498		10,500
Shares issued for compensation at \$0.60, December, 2007			5,000	1	2,999		3,000
Stock-based compensation options					37,886		37,886
Deferred financing costs on line of credit					95,270		95,270
Dividends on Preferred Stock					(6,674)		(6,674)

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Net (Loss) before net dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,001,563)</u>	<u>(1,001,563)</u>
Balance, December 31, 2007	300,000	30	3,335,000	334	1,485,033	(2,221,948)	(736,551)
Shares issued for compensation at \$0.50, March, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, March, 2008			18,000	1	8,999		9,000
Deferred financing costs on line of credit for three months ended March 31, 2008					80,960		80,960
Shares issued for compensation at \$0.50, June, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, June, 2008			3,500		1,750		1,750
Stock-based compensation options					6,676		6,676
Deferred financing costs on line of credit for three months ended June 30, 2008					17,830		17,830
Dividends on Preferred Stock for six months ended June 30, 2008					(13,348)		(13,348)
Net (Loss) before net dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(435,082)</u>	<u>(435,082)</u>
Balance, June 30, 2008	300,000	30	3,368,500	337	1,593,898	(2,657,030)	(1,062,765)

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30
(Unaudited)

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Net loss attributable to common shareholders	\$ (435,082)	\$ (410,336)
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Depreciation	15,782	14,218
Amortization of intangibles	90,100	2,754
Stock financing costs and loan fees	10,750	122,869
Preferred stock dividends	13,348	-
Stock Option compensation	<u>6,676</u>	<u>22,404</u>
	136,656	162,245
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(42,899)	(80,025)
Inventories	83,486	46,423
Prepaid expenses and other receivables	(6,231)	3,364
Increase (decrease) in:		
Checks written in excess of funds available	(26,713)	(6,341)
Accounts payable	100,770	57,669
Accrued Expenses	<u>46,238</u>	<u>15,550</u>
	154,651	36,640
Net cash (used in) operating activities	<u>(143,775)</u>	<u>(211,451)</u>
Cash Flows from Investing Activities:		
Equipment deposits		
Net Investment in fixed assets	(6,265)	(49,009)
Investment in intangibles and other assets	(38,937)	(19,782)

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Advances to related company	<u>-</u>	<u>(40,000)</u>
Net cash (used in) investing activities	<u>(45,202)</u>	<u>(108,791)</u>
Cash Flows from Financing Activities:		
Proceeds from Paid-In Capital	16,750	129,425
Net Increase in Advances and Notes Payable	<u>168,195</u>	<u>194,239</u>
Net cash provided by financing activities	<u>184,945</u>	<u>323,664</u>
Decrease in Cash and Cash Equivalents	(4,032)	3,422
Cash and Cash Equivalents , beginning of period	<u>4,684</u>	<u>344</u>
Cash and Cash Equivalents , end of period	\$ 652	\$ 3,766
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	\$ 56,221	\$ 52,915

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies:

This summary of significant accounting policies of is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in preparation of the financial statements. The Company has selected December 31 as its year end.

Description of Business - Golden West Brewing Company, Inc., a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (hereinafter referred to as The Company on a consolidated basis) were formed in 2003 for the purpose of acquiring the assets of Butte Creek Brewing Company, LLC ("Butte Creek"). The acquisition of Butte Creek was completed on August 31, 2005. In June 2008, we formed a new wholly-owned subsidiary in Washington: Golden West Brewing, Inc. This new subsidiary is inactive and has not commenced any operations but is included in our consolidated statements.

In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2008 and December 31, 2007 , and its results of operations for the three and six month periods ended June 30, 2008 and 2007 and its cash flows for the three and six month periods ended June 30, 2008 and 2007 and the statement of stockholder s deficit as of June 30, 2008. The accompanying financial statements should be read in conjunction with the notes thereto filed as a part of the Company's annual report on Form 10-QSB. All inter-company account balances and transactions are eliminated in consolidation.

Accounts Receivable - Accounts receivable are reported at net realizable value. The Company has established an allowance for doubtful accounts based on factors pertaining to the credit risk of specific customers, historical trends and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible.

Inventory - Inventory is stated at the lower-of-average cost or market computed on a first-in first-out basis. Inventory values as of June 30, 2008 and December 31, 2007 are classified as follows:

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<u>Inventory Class</u>	<u>June 30, 2008</u>	<u>December 31,</u> <u>2007</u>
Finished Product	\$18,149	\$ 83,338
Manufacturing Materials	85,398	92,451
Goods in Process	9,450	22,082
Advertising Materials	1,388	-
Total	\$114,385	\$ 197,871

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Fixed Assets Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is computed on a straight-line basis. Fixed Assets values net of accumulated depreciation as of June 30, 2008 and December 31, 2007 are classified as follows:

<u>Fixed Asset Class</u>	<u>Life</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Manufacturing equipment	5-15 yrs	\$ 239,908	\$ 246,983
Draft equipment and kegs	5 yrs	9,066	10,950
Vehicles	5 yrs	1,578	1,942
Computers and lab equipment	5 yrs	5,128	5,807
Office furniture and fixtures	5 yrs	529	603
Leasehold improvements	30 yrs	3,020	3,235
Trademarks and domain names	n/a	<u>8,780</u>	<u>8,006</u>
Totals		\$ 268,009	\$ 277,526

Income Recognition - The Company recognizes revenues at the point of sale when title to the product changes hands to the buyer.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of significant estimates including the allowance for doubtful accounts. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

Financial Instruments - The Company discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Company's cash, cash equivalents, and accounts payable approximate their estimated fair values due to their short-term maturities.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and advances. At June 30, 2008 and December 31, 2007, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

Valuation of Long-Lived Assets - The Company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The Company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income Taxes - The Company recognizes deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, the effect of net operating losses, based upon the enacted tax rates in effect for

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Intangibles - Intangibles consists of trade names and trademarks. Intangibles other than goodwill are amortized using the straight-line method over the estimated useful life of the intangibles. The \$25,000 of acquired intangible assets relate to trade names and trademarks that had an expected remaining useful life of approximately five years at the time of their purchase and are being amortized over a 5-year period. Assets determined to have indefinite lives are no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangibles," but are tested for impairment on an annual basis.

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of \$350,000. The Credit Agreement terminates on December 31, 2008.

The total value of advances under the credit facility which was credited to Additional paid in capital representing deferred financing fees is \$95,270 for the year ended December 31, 2007 and \$98,790 for the six months ended June 30, 2008. The deferred financing fees associated with the advances are being amortized over the lives of the advance agreements and \$2,456 was charged to the year ended December 31, 2007 and \$86,927 was charged to the six months ended June 30, 2008.

Recent Accounting Pronouncements - There were various accounting standards and interpretations issued during 2007 and 2008, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

Per Share Information - Per share information is computed by dividing the net income or loss, less accrued preferred dividends, by the weighted average number of shares outstanding during the period.

Cash and Cash Equivalents - The Company considers cash and cash equivalents to consist of cash on hand and demand deposits in banks with an initial maturity of 90 days or less.

Risks and Uncertainties - The Company is subject to substantial business risks and uncertainties inherent in starting a new business. There is no assurance that the Company will be able to generate sufficient revenues or obtain sufficient funds necessary for launching a new business venture.

Basis of Presentation - Going Concern - Generally accepted accounting principles in the United States of America contemplates the continuation of the Company as a going concern. However, the Company has sustained losses from operations, and has net working capital deficit, which raise substantial doubt about the Company's ability to continue as a going concern.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

2. Advances and Notes Payable:

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of \$8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of September 30, 2007 of \$1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling \$9,975 was converted to 15,000 shares of common stock.

Between March and September 2005, the Company borrowed a total of \$125,000 from three lenders: \$50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); \$50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and \$25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and was due in full March, 2008. As of June 30, 2008, the Tiffany Grace note had current maturities of \$10,048. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of June 30, 2008, the Power Curve and Lone Oak notes had accrued interest of \$4,500 and \$694 respectively and short-term maturities of \$50,000 and \$11,054, respectively, after the sale by of the Lone Oak Vineyards of \$25,000 of its note to an unrelated third party on September 15, 2006.

On December 30, 2005, John Power and Power Curve, Inc. converted \$215,000 and \$90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. (\$50,000), Lone Oak Vineyards, Inc. (\$25,000), Dayton Misfeldt Trust (\$25,000) and Tiffany Grace (\$25,000) in September 2005 described above. As of June 30, 2008, these notes had current maturities of \$215,000 and \$90,000 respectively and had accrued interest of \$19,350 and \$8,100 respectively.

As part of the acquisition of Butte Creek, the Company assumed an \$8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of June 30, 2008 the note had accrued interest of \$4,644.

The Company has pledged substantially all of its assets to secure some of the notes. Should the Company default in the payment of these secured notes, the collateral could be subject to forfeiture.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of \$115,000 and \$155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of \$115,000 and \$155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of June 30, 2008, these notes had current maturities of \$115,000 and \$155,000 respectively and had accrued interest of \$13,800 and \$18,600 respectively.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Effective September 4, 2007, the following transactions were completed:

1.

John C. Power and Power Curve, Inc. (collectively "Power"), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation ("Shana Capital") an advance owed to Power by the Company in the amount of \$112,500.

2.

Power assigned to Webquest, Inc., a Colorado corporation ("Webquest") an advance owed to Power by the Company in the amount of \$112,500.

3.

In consideration of the assignments of the Advances owed to Power by the Company, Shana Capital and Webquest each executed and delivered, in favor of Power, their promissory note in the amount of \$112,500. Under the terms of each promissory note, the principal balance together with accrued interest at the rate of 7% per annum are due and payable, in full, on December 31, 2008.

4.

Shana Capital and Webquest each executed and delivered an Agreement to Convert Debt pursuant to which each agreed to convert their respective Advances owed to them by the Company that had been acquired from Power in the amount of \$112,500 into 150,000 shares of Series A Convertible Preferred Stock of the Company (the "Series A Preferred Stock"), or an aggregate of 300,000 shares of Series A Preferred Stock, valued at \$0.75 per share.

John Power, our President, and Power Curve, Inc., a company controlled by John Power, have made other short-term advances to the Company that remained unpaid as of June 30, 2008 in the amount of \$9,000

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of \$30,000 and is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of \$50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company's inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company's Chief Executive Officer. As of the date of this report, the

balance of this note was \$10,000 plus accrued interest of \$911.

Lines of Credit - The Company assumed a \$25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 15.25% as of December 31, 2007. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek, LLC's Managing Member and our former general manager. The outstanding balance as of June 30, 2008 was \$23,559.

The Company assumed a \$15,400 line of credit on a Butte Creek credit card with Bank of America (formerly MBNA) with interest at the rate of 27.98%. The debt on the credit card is uncollateralized

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

but guaranteed by Tom Atmore, Butte Creek, LLC s managing member and our former general manager. The outstanding balance on June 30, 2008 was \$8,574.

<u>Notes Payable</u>	<u>Long-</u>		<u>Accrued</u>	<u>Interest</u>	<u>Maturity</u>	<u>Collateralized</u>
	<u>Current</u>	<u>Term</u>				
<u>June 30, 2008</u>	<u>Portion</u>	<u>Portion</u>	<u>Interest</u>	<u>Rate</u>	<u>Date</u>	
Lines of Credit						
Bank of America (Atmore)	\$ 8,574	-	-	27.98%	Demand	No
Wells Fargo (Atmore)	<u>23,559</u>	<u>-</u>	<u>-</u>	15.25%	Demand	No
TOTAL	<u>\$ 32,133</u>	<u>-</u>	<u>-</u>			

Notes Payable - Related Parties

Power Curve, Inc. #1	\$ 50,000		\$ 4,500	9%	Sep., 2008	Yes
Power Curve, Inc. #2	90,000		8,100	9%	Dec., 2008	Yes
Power Curve, Inc. #3	155,000		18,600	8%	Dec., 2008	Yes
John C. Power #1	215,000		19,350	9%	Dec., 2008	Yes
John C. Power #2	115,000		13,800	8%	Dec., 2008	Yes
Credit Facility	315,000		14,495	8%	Dec., 2008	No
Lone Oak Vineyards	11,054		694	9%	Sep., 2008	Yes
Sea Ranch Lodge & Village	<u>100,000</u>	<u>-</u>	<u>12,000</u>	12%	Demand	No
TOTAL	<u>\$1,051,054</u>	<u>-</u>	<u>\$ 91,539</u>			

Notes Payable - Unaffiliated

In connection with research and development grant received from the OCS, we must pay royalties to the OCS on the revenue derived from the sale of products, technologies and services developed with the grant from the OCS. The terms of the OCS grants and the law pursuant to which grants are made restrict our ability to manufacture products or transfer technologies developed using OCS grants outside of Israel. This restriction may limit our ability to enter into agreements for those products or technologies, without OCS approval. We cannot be certain that any approval of the OCS will be obtained on terms that are acceptable to us, or at all. In connection with our grant applications, we have made certain representations, including information provided in periodical performance reports, and we have committed to certain performance-based covenants. The funding from the OCS is subject to the accuracy of these representations and covenants and to our compliance with the conditions and restrictions imposed by the OCS. If we fail to comply with any of these conditions or restrictions, we could be required to repay any grants previously received, together with an adjustment based on the Israeli consumer price index and an interest factor in addition to certain other penalties. In addition, if we fail to comply with any of these conditions or restrictions, we would likely be ineligible to receive OCS grants in the future. The inability to receive these grants would result in an increase in our research and development expenses.

It may be difficult to enforce a U.S. judgment against us, our officers and directors and our Israeli auditors or to assert U.S. securities law claims in Israel.

We are incorporated in Israel. Substantially all of our executive officers and directors and our Israeli auditors are

nonresidents of the United States, and a substantial portion of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult to enforce a judgment obtained in the United States against us or any such persons.

Additionally, there is doubt as to the enforceability of civil liabilities under the Securities Act and the Securities Exchange Act in original actions instituted in Israel. However, subject to specified time limitations, an Israeli court may declare a foreign civil judgment enforceable if it finds that:

the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;

the judgment is no longer appealable;

the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and

the judgment is executory in the state in which it was given.

Even if the above conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. An Israeli court also will not declare a foreign judgment enforceable if:

the judgment was obtained by fraud;

there was no due process;

the judgment was rendered by a court not competent to render it according to the

laws of private international law in Israel;

the judgment is at variance with another judgment that was given in the same matter between the same parties and which is still valid; or

at the time the action was brought in the foreign court a suit in the same matter and between the same parties was pending before a court or tribunal in Israel.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in New Israeli Shekels, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action to recover an amount in non-Israeli currency is for the Israeli court to render judgment for the equivalent amount in New Israeli Shekels at the rate of exchange on the date of payment, but the judgment debtor also may make payment in non-Israeli currency. Pending collection, the amount of the judgment of an Israeli court stated in New Israeli Shekels ordinarily will be linked to the Israel consumer price index plus interest at the annual rate (set by Israeli law) prevailing at that time. Judgment creditors bear the risk of unfavorable exchange rates.

The effects of anti-takeover provisions could inhibit the acquisition of us by others and therefore depress the price of our shares.

Some of the provisions of our articles of association and Israeli law could, together or separately:

discourage potential acquisition proposals;

delay or prevent a change in control; and

limit the price that investors might be willing to pay in the future for our ordinary shares.

Israeli corporate law regulates mergers and acquisitions of shares through tender offers, requires approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israel tax law treats stock-for-stock acquisitions between an Israeli company and a foreign company less favorably than does U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation or to taxation before his investment in the foreign corporation becomes liquid. In addition, our articles of association limit our ability to engage in any merger, asset or share sale or other similar transaction with a shareholder holding 15% or more of our voting shares. These provisions may adversely affect the price of our shares.

Under the Israeli Companies Law, a merger is generally required to be approved by the shareholders and the board of directors of each of the merging companies. Shares held by a party to the merger are not counted towards the required approval. If the share capital of the company that will not be the surviving company is divided into different classes of shares, the approval of each class is required. A merger may not be approved if the surviving company will not be able to satisfy its obligations. At the request of a creditor, a court may prohibit a merger on these grounds. In addition, a merger can be completed only after all approvals have been submitted to the Israeli Registrar of Companies and 70 days have passed from the time that a proposal for approval of the merger was filed with the Registrar.

The Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25%

shareholder of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% shareholder of the company, unless someone else already holds a majority of the voting power of the company. Regulations promulgated under the Israeli Companies Law provide that these tender offer requirements do not apply to companies whose shares are listed for trading outside of Israel if, according to the law in the country in which the shares are traded, including the rules and regulations of the stock exchange on which the shares are traded either:

there is a limitation on acquisition of any level of control of the company; or

the acquisition of any level of control requires the purchaser to do so by means of a tender offer to the public.

The Israeli Companies Law provides specific rules and procedures for the acquisition of shares held by minority shareholders, if the majority shareholder holds 90% or more of the outstanding shares.

**CAUTIONARY STATEMENT
CONCERNING
FORWARD-LOOKING
STATEMENTS**

This prospectus contains or incorporates by reference, and the applicable prospectus supplement may contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements can generally be identified as such because the context of the statement will include words such as may, will,

intends, plans, believes, anticipates, expects, estimates, predicts, potential, continue, or opportunity, the negative of these words or words of similar import.

Similarly, statements that describe our reserves and our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. Discussions containing these forward-looking statements may be found, among other places, in Information on the Company and Operating and Financial Review and Prospects incorporated by reference from our most recent Annual Report on Form 20-F with the SEC, as well as any amendments thereto reflected in subsequent filings with the SEC. These forward-looking statements are or will be, as applicable, based largely on our expectations and projections about future events and future trends affecting our business, and so are or will be, as applicable, subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements.

Our actual results of operations and execution of our business strategy could differ materially from those expressed in, or implied by, the forward-looking statements. In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. In evaluating our forward-looking statements, you should specifically consider the risks and uncertainties discussed under Risk Factors in this prospectus and the applicable prospectus supplement. Except as required by law, we undertake no

obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this prospectus or the prospectus supplement or the date of documents incorporated by reference in this prospectus that include forward-looking statements.

USE OF PROCEEDS

Except as described in any prospectus supplement, we currently intend to use the net proceeds from the sale of our securities under this prospectus for general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, products and technologies that are complementary to our own, although we currently are not planning or negotiating any such transactions.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in short-term, interest-bearing securities.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earning to fixed charges for the periods indicated:

	Six months ended June 30,	
Year ended December 31,	2003	2004
1999	2000	2001
2002	2003	2004

- - - - -

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings from continuing operations before income tax and extraordinary items plus fixed charges. For the purposes of computing the ratio of earnings to fixed charges, earnings consist of pretax income (loss) from continuing operations plus

fixed charges. We did not have any interest bearing debt or preferred shares outstanding during the years ended December 31, 1999, 2000, 2001, 2002 and 2003, or during the six month periods ended June 30, 2003 and 2004.

Accordingly, the fixed charges amounted to zero in each of these periods and the ratios of earnings to fixed charges are not applicable.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and long term bank deposits and our capitalization at June 30, 2004 on an actual basis.

	U.S. Dollars in thousands (unaudited).
	<u>June 30, 2004</u>
Cash and cash equivalents	\$40,032
Long-term bank deposits and structured notes	<u>\$50,605</u>
Total cash, cash equivalents and long-term bank deposits and structured notes	<u>\$90,637</u>
Shareholders equity	
Share Capital	\$122
Ordinary shares of NIS 0.01 par value: 100,000,000 shares authorized;	
42,334,638 shares issued;	
38,392,499 shares outstanding	
Additional Paid in capital	\$119,765
Treasury shares	\$(11,320)
Deferred stock compensation plan	\$(137)
Accumulated and other comprehensive income	\$105

Retained earnings	<u>\$2.024</u>
Total shareholders equity	<u>\$110.559</u>
Total capitalization	<u>\$110.559</u>

DESCRIPTION OF CAPITAL STOCK

As of the date of this prospectus, our articles of association authorize us to issue 100,000,000 of our ordinary shares, nominal value NIS 0.01 per share, and 2,500,000 preferred shares, nominal value NIS 0.01 per share. As of June 30, 2004, we had outstanding 38,392,499 of our ordinary shares and options to purchase an aggregate of 7,953,634 of our ordinary shares at a weighted average exercise price of \$8.13 per share, with the latest expiration date of these options being June 4, 2011 (of which, options to purchase 4,708,133 of our ordinary shares were exercisable as of June 30, 2004). No preferred shares were outstanding as of June 30, 2004. All figures relating to outstanding shares exclude shares held in treasury.

Since January 1, 2001, we have issued a total of 2,378,958 ordinary shares, of which 1,701,799 were issued through the exercise of options, at an average exercise price of \$2.71 per share and 677,179 were issued as part of our Employee Stock Purchase Plan.

**DESCRIPTION OF DEBT
SECURITIES**

The following description, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the debt securities that we may offer under this prospectus. While the terms we have summarized below will generally apply to any future debt securities we may offer under this prospectus, we will describe the particular terms of any debt securities that we may offer in more detail in the applicable

prospectus supplement. The terms of any debt securities we offer under a prospectus supplement may differ from the terms we describe below.

We will issue senior notes under the senior indenture which we will enter into with the trustee named in the senior indenture. We will issue subordinated notes under the subordinated indenture which we will enter into with the trustee named in the subordinated indenture. We have filed forms of these documents as exhibits to the registration statement of which this prospectus is a part.

Supplemental indentures and forms of debt securities containing the terms of debt securities being offered will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC. We use the term indentures to refer to both the senior indenture and the subordinated indenture.

The indentures will be qualified under the Trust Indenture Act of 1939. We use the term trustee to refer to either the senior trustee or the subordinated trustee, as applicable.

The following is a summary of material provisions of the senior notes, the subordinated notes and the indenture.

This summary is not complete. The debt securities are subject to, and qualified in their entirety by reference to, all the provisions of the indenture applicable to a particular series of debt securities. We urge you to read the applicable prospectus supplements related to the debt securities that we sell under this prospectus, as well as the complete indentures that contain the terms of the debt securities. Except as we may otherwise indicate, the terms of the senior indenture and the subordinated indenture are identical.

General

We will describe in the applicable prospectus supplement the terms relating to a series of debt securities, including:

-

the title;

-

the principal amount being offered, and, if a series, the total amount authorized and the total amount outstanding;

-

the currency of the debt securities;

-

any limit on the amount that may be issued;

-

whether or not we will issue the series of debt securities in global form and, if so, the terms and who the depositary will be;

-

the maturity date;

-

the principal amount due at maturity, and whether the debt securities will be issued with any original issue discount;

-

the annual interest rate, which may be fixed or variable, or the method for determining the rate, the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

-

whether or not the debt securities will be secured or unsecured, and the terms of any secured debt;

-

the terms of the subordination of any series of subordinated debt;

-

the place where payments will be payable;

-

restrictions on transfer, sale or other assignment, if any;

-

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

-

provisions for a sinking fund, purchase or other analogous fund, if any;

-

the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund or analogous fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of debt securities;

-

whether the indenture will restrict our ability and/or the ability of our subsidiaries to:

-

incur additional indebtedness;

-

issue additional securities;

-

create liens;

-

pay dividends and make distributions in respect of our capital stock and the capital stock of our subsidiaries;

-

redeem capital stock;

-

place restrictions on our subsidiaries ability to pay dividends, make distributions or transfer assets;

-

make investments or other restricted payments;

-

sell or otherwise dispose of assets;

-

enter into sale-leaseback transactions;

-

engage in transactions with shareholders and affiliates;

-

issue or sell stock of our subsidiaries; or

-

effect a consolidation or merger;

-

whether the indenture will require us to maintain any interest coverage, fixed charge, cash flow-based, asset-based or other financial ratios;

•

a discussion of any material or special Israeli or United States federal income tax considerations applicable to the debt securities;

•

information describing any book-entry features;

•

the procedures for any auction and remarketing, if any;

•

the denominations in which we will issue the series of debt securities, if other than denominations of \$1,000 and any integral multiple thereof;

•

if other than dollars, the currency in which the series of debt securities will be denominated; and

•

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, including any events of default that are in addition to those described in this prospectus or any covenants provided with respect to the debt securities that are in addition to those described above, and any terms which may be required by us or advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

Redemption

If any series of the debt securities offered are redeemable, the applicable prospectus supplement will set forth the terms and conditions for such redemption, including:

- the redemption prices (or method of calculating the same);
- the redemption period (or method of determining the same);
- whether such debt securities are redeemable in whole or in part at our option; and
- any other provisions affecting the redemption of such debt securities.

Conversion or Exchange Rights

If any series of the debt securities offered are convertible into or exchangeable for shares of our ordinary shares or other securities, the applicable prospectus supplement will set forth the terms and conditions for such conversion or exchange, including:

- the conversion price or exchange ratio (or method of calculating the same);
- the conversion or exchange period (or method of determining the same);
-

whether conversion or exchange will be mandatory, or at our option or at the option of the holder;

-

the events requiring an adjustment of the conversion price or the exchange ratio; and

-

any other provisions affecting conversion or exchange of such debt securities.

Consolidation, Merger or Sale

The indentures in the forms initially filed as exhibits to the registration statement of which this prospectus is a part do not contain any covenant which restricts our ability to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets.

However, any successor of ours or acquiror of such assets must assume all of our obligations under the indentures and the debt securities.

If the debt securities are convertible for our securities, the person with whom we consolidate or merge or to whom we sell all of our property must make provisions for the conversion of the debt securities into securities which the holders of the debt securities would have received if they had converted the debt securities before the consolidation, merger or sale.

Events of Default Under the Indenture

The following are events of default under the indentures with respect to any series of debt securities that we may issue:

-

if we fail to pay interest when due and payable and our failure continues for 90 days and the time for payment has not

been extended;

-

if we fail to pay the principal, or premium, if any, when due and payable and the time for payment has not been extended;

-

if we fail to observe or perform any other covenant contained in the debt securities or the indentures, other than a covenant specifically relating to another series of debt securities, and our failure continues for 90 days after we receive notice from the trustee or holders of at least 25% in principal amount of the outstanding debt securities of the applicable series; and

-

if specified events of bankruptcy, insolvency or reorganization occur.

If an event of default with respect to debt securities of any series occurs and is continuing, other than an event of default specified in the last bullet point above, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the trustee if notice is given by such holders, may declare the unpaid principal of, premium, if any, and accrued interest, if any, due and payable immediately. If an event of default specified in the last bullet point above occurs with respect to us, the principal amount of and accrued interest, if any, of each issue of debt securities then outstanding shall be due and payable without any notice or other action on the part of the trustee or any holder.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default with respect to the series and its consequences, except defaults in payment

of principal, premium, if any, or interest, unless we have cured the default in accordance with the indenture.

Subject to the terms of the indentures, if an event of default under an indenture shall occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request or direction of any of the holders of the applicable series of debt securities, unless such holders have offered the trustee reasonable indemnity.

The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee with respect to the debt securities of that series, provided that:

-

the direction so given by the holder is not in conflict with any law or the applicable indenture; and

-

subject to its duties under the Trust Indenture Act of 1939, the trustee may decline to follow any direction of such holders that might involve it in personal liability or might be unduly prejudicial to the holders not involved in the proceeding.

A holder of the debt securities of any series will only have the right to institute a proceeding under the indentures or to appoint a receiver or trustee, or to seek other remedies if:

-

the holder has given written notice to the trustee of a continuing event of default

with respect to that series;

-

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and such holders have offered reasonable indemnity to the trustee to institute the proceeding as trustee; and

-

the trustee does not institute the proceeding, and does not receive from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series other conflicting directions within 90 days after the notice, request and offer.

These limitations do not apply to a suit instituted by a holder of debt securities if we default in the payment of the principal, premium, if any, or interest on, the debt securities.

We will periodically file statements with the trustee regarding our compliance with specified covenants in the indentures.

Modification of Indenture; Waiver

We and the trustee may change an indenture without the consent of any holders with respect to specific matters, including:

-

to fix any ambiguity, defect or inconsistency in the indenture or in the debt securities of any series;

-

to comply with the provisions described above under - Consolidation, Merger or Sale ;

-

to provide for uncertificated debt securities in addition to or in place of certificated debt securities;

-

to add to our covenants such new covenants, restrictions, conditions or provisions for the protection of the holders, to make the occurrence, or the occurrence and the continuance, of a default in any such additional covenants, restrictions, conditions or provisions an event of default, or to surrender any of our rights or powers under the indenture;

-

to add to, delete from, or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of debt securities of any series;

-

to change anything that does not adversely affect the rights of any holder of debt securities of any series in any material respect;

-

to evidence and provide for the acceptance of appointment under an indenture by a successor trustee; or

-

to comply with any requirements of the SEC in connection with the qualification of any indenture under the Trust Indenture Act of 1939.

In addition, under the indentures, we and the trustee may not change an indenture, and the rights of holders of a series of debt securities may be changed by us and the

trustee other than as set forth in the bullet points above with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding debt securities of each series that is affected. However, we and the trustee may not make the following changes without the consent of each holder of any outstanding debt securities affected:

-

extending the fixed maturity of the series of debt securities;

-

reducing the principal amount, reducing the rate of or extending the time of payment of interest, or reducing any premium payable upon the redemption of any debt securities; or

-

reducing the percentage of debt securities, the holders of which are required to consent to any change to an indenture.

Discharge

Each indenture provides that we can elect to be discharged from our obligations with respect to one or more series of debt securities, except for obligations to:

-

register the transfer or exchange of debt securities of the series;

-

replace stolen, lost or mutilated debt securities of the series;

-

maintain paying agencies;

- hold monies for payment in trust;
- recover excess money held by the trustee;
- compensate and indemnify the trustee;
and
- appoint any successor trustee.

In order to exercise our rights to be discharged, we must deposit with the trustee money or government obligations sufficient to pay all the principal of, any premium, if any, and interest on, the debt securities of the series on the dates payments are due.

Form, Exchange and Transfer

We will issue the debt securities of each series only in fully registered form without coupons and, unless we otherwise specify in the applicable prospectus supplement, in denominations of \$1,000 and any integral multiple thereof. The indentures provide that we may issue debt securities of a series in temporary or permanent global form and as book-entry securities that will be deposited with, or on behalf of, The Depository Trust Company or another depository named by us and identified in a prospectus supplement with respect to that series.

See *Legal Ownership of Securities* for a further description of the terms relating to any book-entry securities.

At the option of the holder, subject to the terms of the indentures and the limitations applicable to global securities described in the applicable prospectus supplement, the holder of the debt securities of any series

can exchange the debt securities for other debt securities of the same series, in any authorized denomination and of like tenor and aggregate principal amount.

Subject to the terms of the indentures and the limitations applicable to global securities set forth in the applicable prospectus supplement, holders of the debt securities may present the debt securities for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for this purpose. Unless otherwise provided in the debt securities that the holder presents for transfer or exchange, we will make no service charge for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges.

We will name in the applicable prospectus supplement the security registrar, and any transfer agent in addition to the security registrar, that we initially designate for any debt securities. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

If we elect to redeem the debt securities of any series, we will not be required to:

- issue, register the transfer of, or exchange any debt securities of any series being redeemed in part during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities that may be selected for redemption and

ending at the close of business on the day of the mailing; or

-

register the transfer of or exchange any debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any debt securities we are redeeming in part.

Information Concerning the Trustee

The trustee, other than during the occurrence and continuance of an event of default under an indenture, undertakes to perform only those duties as are specifically set forth in the applicable indenture. Upon an event of default under an indenture, the trustee must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the trustee is under no obligation to exercise any of the powers given it by the indentures at the request of any holder of debt securities unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur.

Payment and Paying Agents

Unless we otherwise indicate in the applicable prospectus supplement, we will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest payment.

We will pay principal of and any premium and interest on the debt securities of a particular series at the office of the paying agents designated by us, except that, unless we otherwise indicate in the applicable prospectus supplement, we may make interest payments by check

which we will mail to the holder or by wire transfer to certain holders. Unless we otherwise indicate in a prospectus supplement, we will designate an office or agency of the trustee in the City of New York as our sole paying agent for payments with respect to debt securities of each series. We will name in the applicable prospectus supplement any other paying agents that we initially designate for the debt securities of a particular series. We will maintain a paying agent in each place of payment for the debt securities of a particular series.

All money we pay to a paying agent or the trustee for the payment of the principal of or any premium or interest on any debt securities which remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment thereof.

Governing Law

The indentures and the debt securities will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act of 1939 is applicable.

Subordination of Subordinated Debt Securities

The subordinated debt securities will be subordinate and junior in priority of payment to certain of our other indebtedness to the extent described in a prospectus supplement. The indentures in the forms initially filed as exhibits to the registration statement of which this prospectus is a part do not limit the amount of indebtedness which we may incur, including senior indebtedness or subordinated indebtedness, and do not limit us from issuing any other debt, including secured debt or unsecured debt.

LEGAL OWNERSHIP OF SECURITIES

We can issue securities in registered form or in the form of one or more global securities. We describe global securities in greater detail below. We refer to those persons who have securities registered in their own names on the books that we or any applicable trustee or depository or warrant agent maintain for this purpose as the holders of those securities. These persons are the legal holders of the securities. We refer to those persons who, indirectly through others, own beneficial interests in securities that are not registered in their own names, as indirect holders of those securities. As we discuss below, indirect holders are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect holders.

Book-Entry Holders

We may issue securities in book-entry form only, as we will specify in the applicable prospectus supplement. This means securities may be represented by one or more global securities registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, which are referred to as participants, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Only the person in whose name a security is registered is recognized as the holder of that security. Global securities will be registered in the name of the depository. Consequently, for global securities, we will recognize only the depository as the holder of the securities, and we will make all payments on the securities to the depository. The depository passes along

the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors in a global security will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect holders, and not holders, of the securities.

Street Name Holders

We may terminate a global security or issue securities that are not issued in global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we or any applicable trustee or depositary will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities, and we or any such trustee or depositary will make all payments on those securities to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be

indirect holders, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of any applicable trustee or third party employed by us or a trustee, run only to the legal holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with its participants or customers or by law, to pass it along to the indirect holders but does not do so.

Similarly, we may want to obtain the approval of the holders to amend an indenture, to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture, or for other purposes. In such an event, we would seek approval only from the holders, and not the indirect holders, of the securities.

Whether and how the holders contact the indirect holders is up to the holders.

Special Considerations for Indirect Holders

If you hold securities through a bank, broker or other financial institution, either in book-entry form because the securities are represented by one or more global securities or in street name, you should check with your own institution to find out:

-

how it handles securities payments and notices;

-

whether it imposes fees or charges;

-

how it would handle a request for the holders' consent, if ever required;

-

whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;

-

how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and

-

if the securities are global securities, how the depository's rules and procedures will affect these matters.

Global Securities

A global security is a security which represents one or any other number of individual securities held by a depository.

Generally, all securities represented by the same global securities will have the same terms.

Each security issued in book-entry form will be represented by a global security that we issue to, deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository

Trust Company, New York, New York, known as DTC, will be the depositary for all global securities issued under this prospectus.

A global security may not be transferred to or registered in the name of anyone other than the depositary, its nominee or a successor depositary, unless special termination situations arise. We describe those situations below under **Special Situations When a Global Security Will Be Terminated**. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect holder of a beneficial interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued as a global security, then the security will be represented by a global security at all times unless and until the global security is terminated. If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. We do not

recognize an indirect holder as a holder of securities and instead deal only with the depositary that holds the global security.

If securities are issued only as a global security, an investor should be aware of the following:

-

An investor cannot cause the securities to be registered in his or her name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

-

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above;

-

An investor may not be able to sell interests in the securities to some insurance companies and to other institutions that are required by law to own their securities in non-book-entry form;

-

An investor may not be able to pledge his or her interest in the global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

-

The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other

matters relating to an investor's interest in the global security. We and any applicable trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way;

-

The depositary may, and we understand that DTC will, require that those who purchase and sell interests in the global security within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and

-

Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in the global security, may also have their own policies affecting payments, notices and other matters relating to the securities. There may be more than one financial intermediary in the chain of ownership for an investor.

We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations When a Global Security Will be Terminated

In a few special situations described below, a global security will terminate and interests in it will be exchanged for physical certificates representing those interests. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor.

Investors must consult their own banks or brokers to find out how to have their interests in securities transferred to their own name, so that they will be direct holders. We have described the rights of holders and street name investors above.

A global security will terminate when the following special situations occur:

-

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 90 days;

-

if we notify any applicable trustee that we wish to terminate that global security; or

-

if an event of default has occurred with regard to securities represented by that global security and has not been cured or waived.

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depositary, and not we or any applicable trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

PLAN OF DISTRIBUTION

We may sell the securities covered by this prospectus in any of three ways (or in any combination):

-

to or through underwriters or dealers;

-

directly to a limited number of purchasers or to a single purchaser; or

-

through agents.

We will describe in a prospectus supplement the terms of the offering of the securities covered by this prospectus, including:

-

the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them;

-

any over-allotment options under which underwriters may purchase additional securities from us;

-

any underwriting discounts or commissions or agency fees and other items constituting underwriters' or agents' compensation;

-

the initial public offering price of the securities and the proceeds to us and any discounts, commissions or concessions allowed or reallocated or paid to dealers; and

-

any securities exchanges or markets on which the securities may be listed.

Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Underwriters may offer and sell the offered securities from time to time in one or more transactions, including negotiated

transactions, at a fixed public offering price or at varying prices determined at the time of sale. If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions described above. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters obligations to purchase the securities will be subject to certain conditions precedent.

The underwriters will be obligated to purchase all of the securities if they purchase any of the securities. We may use underwriters with whom we have a material relationship. We will describe in the prospectus supplement, naming the underwriter, the nature of any such relationship.

We may sell the securities through agents from time to time. The prospectus supplement will name any agent involved in the offer or sale of the securities and any commissions we pay to them.

Generally, any agent will be acting on a best efforts basis for the period of its appointment.

We may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase the securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth any commissions we pay for solicitation of these contracts.

Agents and underwriters may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with

respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

All securities we offer, other than our ordinary shares, will be new issues of securities with no established trading market. Any underwriters may make a market in these securities, but will not be obligated to do so and may discontinue any market making at any time without notice. We cannot guarantee the liquidity of the trading markets for any securities.

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

LEGAL MATTERS

The validity of the securities offered by this prospectus and other legal matters concerning this offering relating to Israeli law will be passed upon by Naschitz, Brandes & Co., Tel Aviv, Israel. Some

legal matters relating to United States law will be passed upon for us by Fulbright & Jaworski L.L.P., New York, New York.

As to matters of Israeli law, Fulbright & Jaworski is relying and will rely upon Naschitz, Brandes & Co.

EXPERTS

Our consolidated financial statements as of December 31, 2003 and 2002, and for each of the three years ended December 31, 2003, included in our Annual Report on Form 20-F for the year ended December 31, 2003 and incorporated by reference in this registration statement, have been audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, Independent Registered Public Accounting Firm, as set forth in their report thereon incorporated herein by reference. These consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of that firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference information from other documents that we file with them, which means that we can disclose important information to you by referring you to those documents.

Information which we incorporate by reference is considered to be part of this prospectus, and information we later file with the Securities and Exchange Commission, including the information in this registration statement will automatically update and supersede this information. We incorporate by reference our following SEC filings:

Annual Report on Form 20-F for the fiscal year ended December 31, 2003 as amended on September 22, 2004;

The information set forth in the second and third paragraphs of, and the consolidated balance sheet and consolidated statements of operations data contained in, the press release attached as Exhibit 1 to our Report on Form 6-K filed with the SEC on April 22, 2004;

The information set forth in the second, third and fourth paragraphs of, and the consolidated balance sheet and consolidated statements of operations data contained in, the press release attached as Exhibit 1 to our Report on Form 6-K filed with the SEC on July 21, 2004; and

Registration Statement on Form 8-A filed with the SEC on May 20, 1999.

We are also incorporating by reference all documents that we file with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the Exchange Act and, to the extent, if at all, designated therein after the date of this prospectus, reports on Form 6-K filed by us prior to the termination of this registration statement.

Any statement contained in a document that is incorporated by reference will be modified or superceded for all purposes to the extent that a statement contained in this prospectus (or in any other document that is subsequently filed with the SEC and incorporated by reference) modified or is contrary to that previous statement.

Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superceded.

Each person to whom a copy of this prospectus is delivered may request a copy of any of the documents

incorporated by reference in this prospectus at no cost. We will not include exhibits to the documents that you request unless the exhibits are specifically incorporated by reference into those documents. You may make your request for any of the documents incorporated by reference in this prospectus by writing or telephoning us at the following address:

AudioCodes Ltd., Investor Relations

1 Hayarden Street

Airport City, Lod

Israel 70151

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 under the Securities Act of 1933, as amended, or the Securities Act, with respect to the securities offered by this prospectus. However, as is permitted by the rules and regulations of the SEC, this prospectus, which is part of our registration statement on Form F-3, omits certain information, exhibits, schedules and undertakings set forth in the registration statement. For further information about us, and the securities offered by this prospectus, please refer to the registration statement.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are applicable to a foreign private issuer. In accordance with the Exchange Act, we file reports, including annual reports on Form 20-F by June 30 of each year. We also furnish to the SEC under cover of Form 6-K material information required to be made public in Israel, filed with and made public by any stock exchange or distributed by us to our shareholders.

The registration statement on Form F-3, including the exhibits and schedules thereto, and reports and other information filed by us with the SEC may be inspected without charge and copied at prescribed rates at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of this material are also available by mail from the Public Reference Section of the SEC, at 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC (<http://www.sec.gov>).

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. In addition, our officers, directors and principal shareholders are exempt from the "short-swing profits" reporting and liability provisions contained in Section 16 of the Exchange Act and related Exchange Act rules.

You should rely only on the information contained or incorporated by reference in this prospectus or any supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and any underwriter or agent is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing 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 since that date.

ENFORCEABILITY OF CIVIL LIABILITIES

Because substantially all of our assets and a majority of the assets of our directors, executive officers and selling shareholders, are located outside the U.S., a judgment obtained in the U.S. against us or any of them may not be collectible within the U.S. Furthermore, service of process upon these individuals, a substantial majority of whom reside outside the U.S., may be difficult to obtain within the U.S. AudioCodes Inc. is our U.S. agent authorized to receive service of process in any action against us in any federal court located in the city of New York or court of the State of New York arising out of this offering or any purchase or sale of securities in connection with this offering. We have not given consent for this agent to accept service of process in connection with any other claim.

In addition, there is doubt as to the enforceability of civil liabilities under the Securities Act and the Securities Exchange Act in original actions instituted in Israel. However, subject to specified time limitations, an Israeli court may declare a foreign civil judgment enforceable if it finds that:

-

the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;

-

the judgment is no longer appealable;

-

the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not

contrary to public policy; and

-

the judgment is executory in the state in which it was given.

Even if these conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. An Israeli court also will not declare a foreign judgment enforceable if:

-

the judgment was obtained by fraud;

-

there was no due process;

-

the judgment was rendered by a court not competent to render it according to the laws of private international law in Israel;

-

the judgment is at variance with another judgment that was given in the same matter between the same parties and which is still valid; or

-

at the time the action was brought in the foreign court a suit in the same matter and between the same parties was pending before a court or tribunal in Israel.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in NIS, which can then be converted into non-Israeli currency and transferred out of

Israel. The usual practice in an action to recover an amount in non-Israeli currency is for the Israeli court to render judgment for the equivalent amount in NIS at the rate of exchange on the date of payment, but the judgment debtor also may make payment in non-Israeli currency. Pending collection, the amount of the judgment of an Israeli court stated in NIS ordinarily will be linked to the Israel consumer price index plus interest at the annual rate (set by Israeli law) prevailing at that time.

Judgment creditors bear the risk of unfavorable exchange rates.

#

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 8.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Israeli law permits a company to insure an office holder in respect of liabilities incurred by the office holder as a result of:

-

the breach of his or her duty of care to the company or to another person, or

-

as a result of the breach of his or her fiduciary duty to the company,

to the extent that the office holder acted in good faith and had reasonable cause to believe that the act would not prejudice the company. A company can also insure an office holder against monetary liabilities as a result of an act or omission that the office holder committed in connection with his or her serving as an office holder. Moreover, a company can indemnify an office holder for (a) monetary liability imposed upon the office holder in favor of other persons pursuant to a court judgment, including a compromise judgment or an arbitrator's decision approved by a court, and (b) reasonable litigation expenses, including attorneys' fees, actually incurred by the office holder or imposed upon the office holder by a court, in an action, suit or proceeding brought against the office holder by or on behalf of the company or other persons, in a criminal action in which the office holder was found innocent, or in a criminal action which does not require criminal intent in which he or she was convicted, in each case in connection with his or her activities as an office holder. A company may also exculpate an office holder in advance, in whole or in part, from liability for damages sustained by a breach of duty of care to the company.

Our articles of association allow us to insure, indemnify and exculpate office holders to the fullest extent permitted by law, provided such insurance or indemnification is approved in accordance with law.

We have entered into an undertaking to indemnify our office holders in specified limited categories of events and in specified amounts, subject to certain limitations. This undertaking has been ratified by our audit committee, board of directors and shareholders.

We have acquired directors' and officers liability insurance covering our officers

and directors and the officers and directors of our subsidiaries against certain claims.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the forgoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

ITEM 9.

EXHIBITS

<u>Exhibit</u>	
<u>No.</u>	<u>Exhibit</u>
	Form of Underwriting Agreement for Ordinary Shares++
1.1	Shares++
	Form of Underwriting Agreement for Debt Securities++
1.2	Securities++
4.1	Form of Indenture Relating to Senior Debt Securities
4.2	Form of Indenture Relating to Subordinated Debt Securities
4.3	Form of Senior Debt Security++
4.4	Form of Subordinated Debt Security++
5.1	Opinion of Naschitz, Brandes & Co. regarding legality**
12.1	Computation of Ratio of Earnings to Fixed Charges**
23.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global
23.2	Consent of Naschitz, Brandes & Co. (included in Exhibit 5.1)**
24.1	Powers of Attorney **.
25.1	Statement of Eligibility of Trustee under Senior Debt

Indenture

25.2 Statement of Eligibility of
Trustee under Subordinated
Debt Indenture

** Previously filed

++ To be filed by amendment or as an exhibit to a report pursuant to Section 13(a) or 15(d) of the Exchange Act and incorporated herein by reference.

ITEM 10.

UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1)

To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i)

To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereto) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

provided, however, that paragraphs (1)(i) and 1(ii) do not apply if the registration

statement is on form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(1)

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(2)

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(3)

To file a post-effective amendment to the Registration Statement to include any financial statements required by Item 8.A of Form 20-F (17 CFR 249.220f) at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided, that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective

amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(4)

That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of any employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, AudioCodes Ltd. certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form F-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tel Aviv, Israel, on September 22, 2004.

By

/s/ Shabtai Adlersberg

Name:

Shabtai Adlersberg

Title:

Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____	* Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	September 22, 2004
Shabtai Adlersberg		
_____	* Chief Financial Officer (Principal Accounting Officer)	September 22, 2004
Nachum Falek		
_____	* Director	September 22, 2004
Joseph Tenne		
_____	* Director	September 22, 2004
Dana Gross		
_____	* Director	September 22, 2004

Dr. Eyal Kishon

