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Training Workshop on  
Industrial Banking Techniques

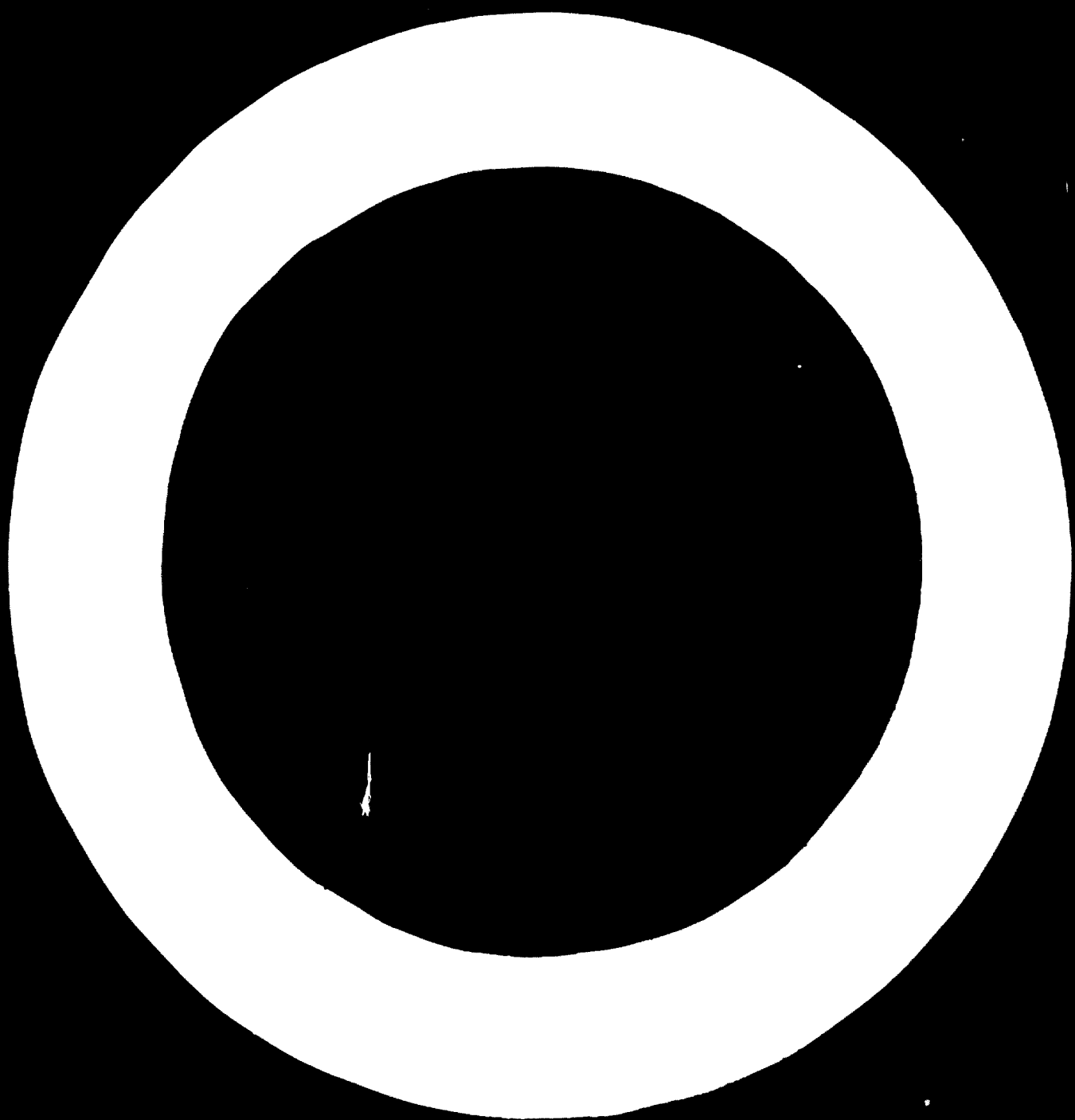
Vienna, Austria, 2 - 28 November 1970

THE INDUSTRIAL DEVELOPMENT BANK  
OF ISRAEL<sup>1/</sup>

1/ This material has been prepared as a background paper for the workshop on the basis of information supplied by the Deputy Chief of the Disbursements and Documents Department of the I.D.B. of Israel, Mr. Yitzak Muallem. The aim is to present factual information describing Israel's provisions as a basis for discussion of the subjects to be considered by participants. The views and opinions expressed in this paper are based on the author's original paper and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



1. Organization of the Institution in Israel and how it helps appraising appraising request for Industrial finance

The Industrial Development Bank of Israel Ltd., (I.D.B.I.) was established in 1957 by a group of sponsors representing the Government, the three largest commercial banks in Israel, the trade union movement and the Manufacturers' Association of Israel.

I.D.B.I. is empowered to undertake all the usual functions of an industrial finance company, including medium and long-term lending, investment in shares, guaranteeing obligations, underwriting and providing technical assistance. It does not have a formal policy statement.

The main financial resources of I.D.B.I. are its share capital, debenture issues, foreign loans. Share capital and reserves constitute the largest source of funds.

Of I.D.B.I.'s present authorized capital of I.£417 million, I.£16 million is voting stock which is held by institutions or persons representatives of the entire financial community of Israel and of foreign investors. The Government share in the share capital is 26% in the voting stock and 52.4% in the non-voting shares.

The Board of Directors is appointed by the principal voting shareholders. All holders of I.£250,000 or more of the voting stock are entitled to appoint one director for each block of I.£250,000 shares held. In consequence the Board consists of 55 members.

There are three committees of the Board:-

- (a) the vice-chairmen's committee consisting of the chairman, five vice-chairmen and the Managing Director, concerned with the more important administrative and personal matters;
- (b) the Executive Committee (20 members), a supervisory body in which are vested most of the operational powers of the Board;
- (c) the Loan Committee (15 members) which processes loan applications and is empowered to take final decisions on all loans where a single clients indebtedness, including the newly approved loan, does not exceed I.£500,000. If this amount is exceeded, then the new loan requires the approval of the Executive Committee as well.

The managing director is the chief operative executive. The management consists of the Managing Director, Deputy General Manager, Assistant General Manager, General Counsellor and Assistant Manager and General Secretary, who

respectively supervise the operational and financial aspects of the work. The organisation includes: - Engineering, Economic, follow-up, Legal, Disbursements, Accounts, Collection Departments and the Secretariat.

Applications for loans which are required to be submitted on a standard form are reviewed by a preparatory committee composed of the managing director, assistant general manager, secretary, chiefs of engineering, economic and disbursements departments and Government representatives. This is an unofficial Committee whose discussions may be regarded as working level consultations between the Government and I.D.B.I. The purpose is initial screening in order to eliminate unsuitable projects. A project may be considered unsuitable if it does not fit into the Government's program for industrial development (but not necessarily, if it has other attractive features), or is manifestly unsound or too small.

The screening committee does not make any appraisal as such but merely decides whether I.D.B.I. would be justified in spending further time and efforts in appraising a project.

Should the request for industrial finance be found favourable by the committee then the application is recommended to be processed. After a project has successfully passed the scrutiny of the preparatory committee, it is studied and appraised by the Engineering and Economic Departments of I.D.B.I. (with the assistance of the Legal Department if necessary). The staff prepares appraisal report with its recommendation. The joint appraisal report by the Engineering and Economic staff is put forward before the Loan Committee and before the Executive Committee (if the aggregate indebtedness exceeds I.£500,000) for their consideration.

The I.D.B.I. in its organization as described above serves as an instrument to encourage and assist in the establishment and expansion of economically useful and sound industrial enterprises in the country.

2. How are the requests for financing appraised including factors, criteria and technique such as credit worthiness

Despite the wide powers I.D.B.I. was given in its memorandum of Association, it has concerned itself almost exclusively with lending. Loans are granted to enterprises controlled by private interests.

As previously mentioned, I.D.B.I. does not have a formal policy statement, but certain definite policies have evolved in the course of its operations. I.D.B.I. works within the framework of the Government's policy for industrial development and the related programs, but considers applications for assistance

on their own merits and does not allocate parts of its portfolio to particular sectors. Financial assistance is generally extended to enterprises controlled by private interests, as distinct from Government enterprises. The operations have been mainly in the field of medium and long-term lending, primarily to finance fixed capital assets. There are no specified restrictions in regard to the maximum size of loans or to I.D.B.I.'s total commitment to a single enterprise.

The main criteria used in assessing projects are:- technical and economic soundness, capacity for repaying loans from own earnings, securities available, provision of matching funds. In appraising the project, consideration is given to the following points:

- (1) Economic worthiness - profitability
- (2) Market research concerning the products
- (3) Production costs
- (4) Information on the sponsors and their financial status
- (5) Financial analysis of an existing enterprise.

Priority is given to projects of the following features:-

- (1) Projects geared to exports or to encouraging exports.
- (2) Projects erected in development areas in order to solve employment problems
- (3) Projects whose promoters are foreign investors and contribute to capital investments from abroad
- (4) Projects intended to replace imports
- (5) New industrial branches, wealthy of science
- (6) Projects which would introduce new production means to the industry.

With regard to the collaterals, I.D.B.I. generally grants loans against mortgages of immovable property and/or fixed and/or floating charges on machinery and equipment. In certain cases, I.D.B.I. also requires third-party guarantees (generally from the shareholders of the borrowing companies). Advances, if any, made by I.D.B.I. for short terms, are usually made against Bank Guarantees.

In cases where I.D.B.I. is not willing or able to accept full responsibility for the repayment of a loan, whether because of the inability of the borrower to give sufficient security or because of any other reasonable ground, and the Government is interested in the granting of such loans, the Government accepts partial and sometimes even full responsibility towards I.D.B.I. for losses which it may sustain as a result of the granting of the loan.

3. How is control of utilization of lending operation exercised ?

Control of utilization of lending operation is done in two ways:

(a) Physical Examination

During the implementation of the project an Engineer of the I.D.B.I. visits the plant once or twice and checks the physical progress made and whether the equipment adequately accommodates the investment project.

(b) Financial Examination

With each request for disbursement, borrowers are required to submit on special forms financial progress report together with detailed statement of equipment and machinery purchased. The report should be approved by<sup>a</sup>/certified public accountant. The progress report is passed to the Engineering Department for examination.

Payments under the loan agreements are made by the Disbursements and Documents Department only according to the progress made, and proportionally to actual amounts invested and recognised by the Engineering Department for examination.

Payments under the loan agreements are made by the Disbursements and Documents Department only according to the progress made, and proportionally to actual amounts invested and recognised by the Engineering Department. Disbursements can be made after the loan agreement is signed and all the legal documents, securities and mortgages are fairly completed.

It should be mentioned that after the disbursement of a loan is made, I.D.B.I. continues following up the activities of the borrower. The follow-up department was established in 1966. It is headed by a mechanical engineer and has economists, accountants and a textile engineer on its staff. The department is responsible for obtaining and examining the reports and accounts submitted by I.D.B.I. clients, for making on-site inspections and where necessary for recommending action to the management. Inspections are directed to projects known to be in difficulty, and to projects in arrears or default, having I.D.B.I. loans over I.£0.5 million.

4. Description of I.D.B.I.'s Accounting System

All accounts of I.D.B.I. are administered by a machine system. Three years ago an additional electronic modern computer was also introduced.

The accounting system has been organized in order to accommodate the requirements of the bank, as detailed below:-

- (1) All assets and liabilities accounts with the exception of industrial loans are performed by the aid of N.C.R. 32 machine. This machine is sufficient for the administration of the above groups of accounts with no delays or obstacles. By this machine a monthly trial balance sheet is prepared. This is a conventional machine with control number (o), which is in wide use in a large number of enterprises.
- (2) For the administration of industrial loans electronic modern computer N.C.R. 500



was introduced three years ago. The necessity for this computer arose as a result of the need for continuous follow-up of the loans and statistical information.

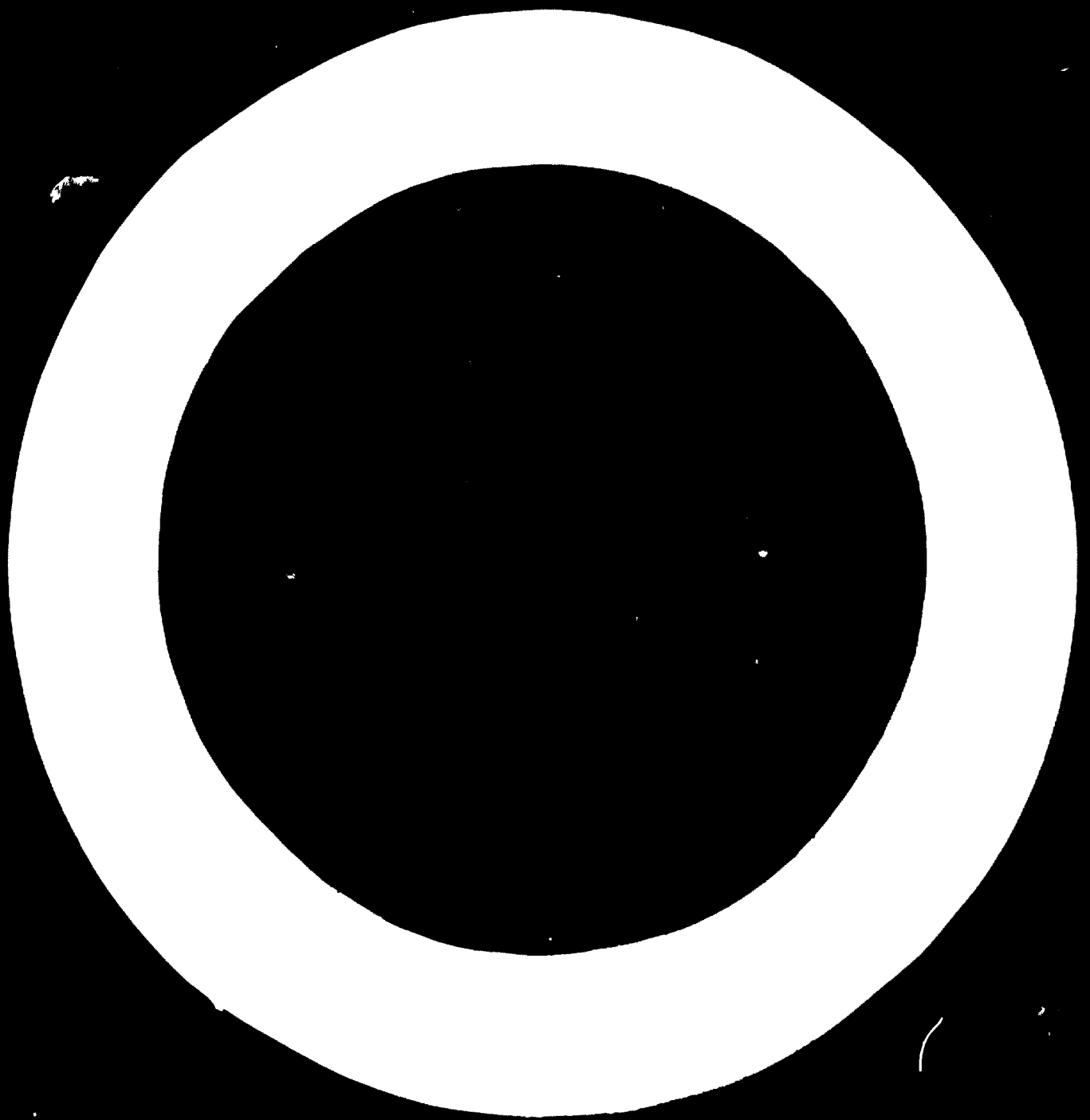
The loan account card is rather complicated in comparison with other ordinary accounts. It shows the outstanding balance of the loan, total amount disbursed, outstanding balance available for disbursement, amounts in arrears and accrued interest. The card is magnetic and includes statistical data such as industrial branch, size of loan, geographical location, and government guarantee, if such is given.

In addition to the daily postings to loan accounts, the computer is utilized for the following purposes:-

- (1) Listing of detailed statements of loans (monthly or whenever required)
- (2) Interest calculations, and interest calculations on amounts in arrears and debiting the respective accounts accordingly.
- (3) Preparation of debit or credit advices to borrowers.
- (4) Listing of statement of delinquent loans, and statistical data on such loans analysed by length of arrears, industrial branch, size of loans etc.
- (5) Preparation of amortization schedules of new loans for the borrowers.
- (6) Forecast of principal and interest repayments of loans.
- (7) Advices to borrowers confirming the position of their loan balances for their audit purposes.
- (8) Preparation of I.D.B.I.'s staff salaries, and preparation of annual statements confirming aggregate salaries paid and tax deductions for income tax purposes by the staff.
- (9) Any other statistical information as may be required.

The accounting system as described above enables the accounts department to report periodically on the Bank's cash flow and check from time to time the Bank's profitability.

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LOAN AND CHARGE AGREEMENT

(including land charge) - 7 -

ENTERED into on the            day of the month of            196

BETWEEN

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED (hereinafter "the Bank") of the one part,

AND

(hereinafter "the borrower") of the  
other part,

WHEREAS the borrower has requested the Bank to grant it a loan in the amount specified in Addendum "A" attached to this Agreement and forming an inseparable part thereof (hereinafter "Addendum "A"), for the financing of investments in the borrower's project described in Addendum "A" (hereinafter "the project"), and the Bank has consented to grant to the borrower the requested loan, upon the guarantees and under the conditions hereinafter provided for.

Now therefore The Parties hereto hereby agree and declare as follows:-

- 1 (a) The Bank hereby agrees to grant to the borrower and the borrower hereby agrees to receive from the Bank a loan in the amount specified in Addendum "A" (hereinafter - "the said loan").
- (b) The Bank will make the said loan available to the borrower at its exclusive discretion, at once or in parts, on the dates and under the conditions deemed fit by the Bank, and that for the partial financing of the borrower's next investments plan specified in Addendum "A" (hereinafter - "the investments plan").
- (c) The borrower hereby undertakes to use the funds of the said loan, as well as the goods purchased and the services financed by the funds of the said loan, only for the purpose of implementing the investments plan wholly and in full detail. Without prejudice to the above provisions of this paragraph, the Bank will be entitled to make the granting of any sum out of the said loan conditional on receiving proof, to its satisfaction, that such sum was and /or would actually be utilized for the implementation of the investments plan wholly and in full detail.

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- (d) Should any of the terms of this agreement be violated by the borrower, or should any of the events prescribed in clause 18 infra occur, or should the borrower - for any reason whatever - fail to receive from the Bank the said loan in whole, or should the Bank fail to make the said loan in whole available to the borrower as aforesaid within 12 months from the signing of this agreement, the Bank would be entitled to revoke its consent to the granting of the said loan or the balance thereof not yet received by the borrower until that time, and in such a case the terms of this agreement, with the necessary adjustments, would apply to the sum actually received by the borrower from the Bank until that time.
- (e) The borrower hereby declares that it is aware of the fact that the said loan or any part thereof might be accorded it out of funds granted and/or to be granted to the Bank by the International Bank for Reconstruction and Development (hereinafter - "the World Bank") and agrees that in such cases the undertakings concerning the World Bank and specified in this Agreement will apply to it. Likewise the borrower will refund to the Bank, forthwith upon its first demand, any sum which the Bank has paid and/or will pay to the World Bank (including costs, undertakings commission and any other sums whatever) in connection with the granting of the said loan or any part thereof to the borrower out of funds granted and/or to be granted to the Bank by the World Bank as aforesaid.
- (f) The borrower hereby declares that it is aware of the fact that the said loan or any part thereof might be accorded it out of funds granted and/or to be granted to the Bank by the International Bank for Reconstruction and Development (hereinafter - "the World Bank"), and agrees that in such cases the undertakings concerning the World Bank and specified in this Agreement will apply to it. Likewise, the borrower will refund to the Bank, forthwith upon its first demand, any sum which the Bank has paid and/or will pay to the World Bank (including costs, undertakings commission and any other sums whatever) in connection with the granting of the said loan or any part thereof to the borrower out of funds granted and/or to be granted to the Bank by the World Bank as aforesaid.

The Bank's statement that the said loan or any part thereof was given out of funds granted and/or to be granted to the Bank by the World Bank, as well as the Bank's statement concerning the sums which the Bank has paid and/or will pay to the World Bank in connection with the granting of the said loan or any part thereof out of funds granted and/or to be granted to the Bank by the World Bank as aforesaid, will be binding on the borrower.

2. (a) The said loan will carry interest at an annual rate as prescribed in Addendum "A", to be computed and paid as specified in Addendum "A".
- (b) In addition to the said interest the borrower will pay to the Bank a single commission, at the rate prescribed in Addendum "A", on any sum received by the borrower from the Bank on account of the said loan, upon receiving any such sum.
3. Any sum (including the principal of the said loan, interest, costs and any other sums whatever) owed and/or to be owed by the borrower to the Bank under this agreement which was not repaid in time would carry cumulative interest at the maximal rate lawful from time to time, starting the date prescribed or to be prescribed for the payment of such sum and until its actual payment in full.
4. The borrower hereby undertakes to repay to the Bank or to the order thereof, the principal of the said loan as specified in Addendum "A".
5. (a) The borrower shall not be entitled to repay to the Bank any sum not yet due under the terms of this agreement (hereinafter "the early repayment") unless the following two conditions were satisfied:-
- (1) The borrower has met all its obligations under this agreement as well as under any other agreement or instrument executed in the past or to be executed in the future by the borrower and the bank or executed or to be executed by the borrower for the Bank's sake.
- (2) The borrower has served on the Bank a prior notice in writing - receipt of which was acknowledged by the Bank (hereinafter "the prior notice") wherein it prescribed a date for the effectuation of the early repayment which would not be earlier than two months from the date when the prior notice was received by the bank.
- (b) Should the borrower repay to the Bank an early repayment according to its notice under paragraph (a) above and on the date prescribed in the prior notice, and should the Bank charge such sum to the account of the principal of the said loan, the borrower would be obligated to pay to the Bank by reason of any such sum a special single commission at the rate of 2% (two percent) of such sum.

- (c) Should the borrower serve on the Bank a prior notice wherein it prescribed a date for the effectuation of the early repayment not earlier than 6 months from the date when the prior notice was received by the Bank and should it repay to the Bank the early repayment on the date prescribed in the prior notice - the borrower would not be obligated to pay to the bank the special commission provided for in paragraph "B" above.

6. Should the borrower serve on the Bank a prior notice attesting to its willingness to effectuate an early repayment and should it fail to repay the full sum prescribed in the prior notice on the date prescribed in the prior notice, the borrower would no longer be entitled to repay to the Bank any sum not yet due under the provisions of this agreement except upon the Bank's written consent and under the conditions prescribed by the Bank.

7. Any sum received by the Bank from the Borrower (whether due or not yet due) will be charged by the Bank upon its exclusive choice - to the account of those installments of the principal of the said loan and/or to the account of those interest rates and/or to the account of those other sums owing to the Bank under this Agreement or under any other Agreement or instrument, as determined by the Bank, and the borrower shall not be entitled to rely in this respect on any law prevailing from time to time in Israel with regard to the charging of payment to the account of debts. Nonetheless, the Bank will charge sums received by it as aforesaid first of all in discharge of those repayments already due to the Bank.

8. To secure the full and exact repayment of all the sums due and to be due to the Bank from the Borrower under this agreement (including the principal of the said loan, the interest and the expenses), and in virtue of clause 121 of the Companies Ordinance and in virtue of the Pledge Law 1967 and/or in virtue of any other law, the borrower hereby charges in favor of the Bank and its alternates the project and all its other property and assets of any kind or description whatever which the borrower now has and which it will have at any time in the future, including its share capital not yet called up and/or not yet paid and its goodwill.

The charges hereby granted are as follows:-

- (a) A fixed (specific) charge first in degree on all the rights which the borrower now has and which it will have in the future in all the machinery and equipment purchased and/or to be purchased by the borrower within the framework of the investment plan.
- (b) A fixed (specific) charge first in degree on all the machinery and equipment specified in Addendum "B" of this agreement and on all the borrower's rights in such machinery and equipment.

(The machinery and equipment specified in paragraphs (a) and (b) of this clause above will hereinafter be referred to as "the said machinery").

- (c) A fixed (specific) charge first in degree on the borrower's share capital not yet called up and/or not yet paid and on its goodwill.
- (d) A fixed (specific) charge first in degree on all the rights, including contractual rights and rights in equity, which the borrower now has and which it will have in the future in the land described in Addendum "A", purchased and/or to be purchased by the borrower from the Israel Lands Administration and/or from anybody else (hereinafter "the owner") whereon the project was and/or will be erected (hereinafter - "the said land") and on all the buildings and constructions erected and/or to be erected on the said land.
- (e) A floating charge first in degree on the project and on all other property and assets of any kind or description whatever of the borrower, as they are now and as they will be at any time in the future.

The borrower hereby confirms and declares that the fixed charges set up under this clause above and specified above in paragraphs (a), (b), (c) and (d), constitute both fixed charges under the Companies Ordinance and pledges under the Pledge Law 1967, each of which exists unto itself and is realizable under each of these laws.

9. In addition and without prejudice to the fixed charges and pledges set up under this agreement as aforesaid, the borrower hereby undertakes to pledge or charge in favor of the Bank, upon its first demand, all at once or at different times the said machinery or any part thereof, in the mode and form as prescribed by the Bank. All the expenses incurred

by the Bank in this regard will be borne by the borrower and the borrower hereby undertakes to refund same to the Bank upon its first demand.

10.

- (a) To further secure the full and exact repayment of all the sums due and to be due to the Bank from the borrower under this agreement (including the principal of the said loan, interest and costs) the borrower hereby undertakes to place the said land and all the buildings and constructions erected and/or to be erected on the said land under a mortgage first in degree in favor of the Bank and its alternates the terms of which shall be determined by the Bank.
- (b) As the said land has not yet been registered (in terms of ownership, lease or otherwise) in the name of the borrower in the Land Registry Office, the borrower hereby undertakes to bring about the registering of the said land in its name in the Land Registry Office (in terms of ownership, lease or otherwise) as early as possible and to register the said mortgage in the Bank's favor upon the registering of the said land in its name as aforesaid in the Land Registry Office.
- (c) To secure the registering of the said mortgage in the Bank's favor upon the registering of the said land in the borrower's name in the Land Registry Office as aforesaid, the borrower shall furnish to the Bank immediately subsequent to the signing of this agreement:-
  - (1) A letter of obligation by the owners, under which the owner shall undertake not to register the said land in any form whatever in the Land Registry Office in the name of the borrower or in the name of anybody else, unless the said mortgage is also registered thereupon in the bank's favor.
  - (2) An irrevocable notarial power of attorney wherein the borrower shall nominate whoever the bank will direct it, to be the agents and representatives of the borrower for the purpose of registering the said land in the name of the borrower in terms of ownership or lease or otherwise, and subsequently to register the said mortgage in the bank's favor, as well as to increase the amount of the said mortgage and/or to register an additional mortgage or mortgages on the said land in the Bank's favor to secure additional sums which may be due to the Bank. The said notarial



power of attorney shall be in the text and form agreed to in advance by the Bank.

(d) The Bank will be entitled, at its discretion, to pay all or any part of the sums owing to the owners for the said land and/or all or any part of the expenses required for the partition of the said land and/or its registration in the Land Registry Office in the name of the borrower as aforesaid, and any sum paid by the Bank in connection with the above shall constitute a debt owed by the borrower to the Bank and shall carry interest at the maximal interest rate then lawful in Israel.

(e) The borrower hereby undertakes to repay to the Bank, upon its first demand, all the sums paid by the Bank as provided in paragraph (d) of this clause plus the said interest. Should the borrower fail to repay the sums paid by the Bank as provided in paragraph (d) of this clause upon the Bank's first demand, this would be deemed as a breach of this agreement by the borrower.

11. The borrower hereby declares and confirms that those items of the said machinery already received by it are in its exclusive ownership and in good condition and are usable, and that they or any part thereof, are free from any attachment or charge or pledge or lien, as well as that no attachment or charge or pledge or mortgage exist on the project or on its property and other assets or on any part thereof, or an undertaking, to subject the property and assets of the borrower or any part thereof to a charge or pledge or mortgage, except as is specified in Addendum "A". The borrower also declares and confirms that it is free from any limitation or condition under any undertaking, contract, agreement or otherwise concerning the transfer of ownership in its property and assets or any part thereof, except as specified in Addendum "A".

12. The borrower hereby undertakes to bring about the registration of the charges created by it in the Bank's favor under this Agreement in the charges register at the Registrar of Companies or the Registrar of Cooperative Associations, as the case may be, within the legally prescribed period.

The borrower hereby agrees that the charges registered in the charges register at the Registrar as aforesaid will not be erased from the charges register before it receives from the Bank a declaration signed by it to the effect that the said loan was repaid in full.

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- (a) The borrower hereby undertakes to insure forthwith and keep all its property and assets which are charged and to be charged in the bank's favor under this agreement (hereinafter - "the charged property") insured for their full real value with such insurance company or companies and under such terms as the bank shall determine. The said insurance shall provide full coverage against, inter alia, the following risks:  
fire, earthquake, explosion as well as any other risk as the bank shall indicate from time to time. The borrower also undertakes hereby to transfer and/or charge in the Bank's favor, forthwith upon the signing of this Agreement, all the rights deriving from the said insurance in the mode and form as determined by the Bank, and to pay the insurance premiums on time, and to deliver to the Bank all the insurance certificates and the receipts for the payment of the insurance premiums.
- (b) The borrower shall furnish to the Bank forthwith upon the signing of this Agreement a copy of the insurance policy or policies along with all the annexes thereto (the latest) and all other insurance certificates under which the borrower has insured the charged property or any part thereof (hereinafter "the policy"). The borrower undertakes to see to it that the policy contains ~~and~~ and covers the following, inter alia, clauses: a clause under which the borrower charges in the bank's favor all the rights deriving from the said insurance for a sum 20% larger than the sum of the above loan, a clause known as a "30 days clause", a "value establishment" clause, a clause concerning the repeal of an "incorrect description" clause and a "deficient insurance" or "under insurance" clause. The said clauses to be included in the policy shall be in the text agreed to by the Bank in advance.

The borrower hereby confirms the discharge of all its obligations to the insurance company or companies or anybody else under or in relation to the policy or policies and undertakes to continue discharging all its obligations under the policy or policies.

- (c) The borrower hereby undertakes not to change the insurance company as well as not to alter any term whatever of the insurance terms without obtaining the bank's written prior consent for that. All the borrower's undertakings under the provisions of this clause above and hereinafter will also apply to any new and/or additional policy and/or addendum to a policy, issued for the borrower and the borrower undertakes to furnish to the Bank any new and/or additional policy and/or addendum to a policy to be issued in the future in connection

with the property or any part thereof, forthwith upon the formation of an insurance relationship under such a policy and/or forthwith upon the issuance of the addendum to a policy, as the case may be.

- (d) The borrower hereby declares that except for the insurance covered by the policies mentioned in paragraph (b) of this clause, the charged property - or any part thereof - is not insured with any insurance company or any other insurance body, whether directly or indirectly.

The borrower hereby stipulates to the Bank that the charged property or any part thereof will in no case be simultaneously insured with more than one insurance company without the Bank's written prior consent ("insurance company" for the purposes of this sub-paragraph includes any other insurance body).

- (e) In the event that the charged property or any part thereof will not be insured by the borrower as provided in this clause above or in the bank's view, not adequately insured, the Bank will be entitled, at its discretion, to insure the charged property or any part thereof in the borrower's or the Bank's name and the borrower hereby undertakes to reimburse the Bank upon its first demand all the sums expended by the Bank in that regard. However, the aforesaid is not meant to obligate the Bank to procure any insurance whatever, and the borrower hereby relieves the Bank in advance of any responsibility should the Bank totally fail to procure the insurance or should the Bank fail to procure the insurance in time or in the proper manner or should the insurance company fail to pay for the damage or loss due to a discrepancy in the mode of insurance or due to a lack of claim or for any other reason whatever.

- (f) All the rights deriving from the insurance of the borrower's assets, including the rights under the Property Tax and Reparations Fund Law 1961, as in force from time to time, or under any law superseding it, or under any law additional to it, are hereby charged in the bank's favor as security for all the sums due and to be due to the bank from the borrower under this agreement.

- (g) Whether the insurance of the charged property was effected by the borrower or by the bank, the bank shall have the sole right (to the exclusion of the borrower's right) to negotiate with the insurance company or companies, to settle with them all the claims emanating from the insurance, including settlements by way of compromise or by way of waiver of the borrower's rights, as well as to collect the insurance moneys and appropriate same for the repayment of the sums owing and to be owing to the Bank from the

borrower at that time under this agreement (whether already due or not yet due), and the borrower waives in advance any allegation and claim against the Bank in respect of such settlements. Also, the borrower shall furnish to the Bank, forthwith upon the signing of this agreement, a commitment by the insurance company or companies to act according to the provisions of this paragraph above. Such commitment shall be in the text, form, and terms as required by the bank.

- (h) The borrower hereby undertakes to sign, upon the Bank's first demand, all the applications, documents and certificates necessary or desirable for the implementation of the borrower's undertakings contained in this clause.
14. It is hereby declared that the charges on the charged property as defined above apply as well to all the profits earnings, rights and concessions emanating from the charged property or connected therewith. Should the charged property or any part thereof be lost or damaged or forfeited, and should the borrower have a right to compensation or indemnity on that account, the charges under this agreement would also apply to any such right to compensation or indemnity.
15. The borrower hereby covenants to the Bank:
- (a) To commence forthwith upon receiving the said loan - or any part thereof - implementing the investments plan, to implement the investments plan diligently and efficiently and in accordance with reasonable and accepted standards of finance and engineering, and to proceed without interruption with all necessary actions until the full implementation of the investments plan as well as to keep accurate records regarding the implementation of the investments plan.
- (b) To preserve the project and keep it in good and orderly condition, and to use and handle all its machinery, equipment and constructions with first-rate care, and to notify the Bank forthwith of any serious instance of damage or deficiency in the said machinery, equipment and constructions, to repair forthwith any defect and deficiency in them which may come about as a result of use or for another reason, and to enable the representatives of the Bank and the World Bank at any time to inspect their condition on the spot.

Should the borrower fail to execute the repairs forthwith as aforesaid, the Bank would be entitled to execute same as it may deem fit and at the borrower's expense, and the borrower hereby undertakes to repay to the Bank, upon its first demand, any sum expended by the Bank in connection with the said repairs.

- (c) Not to remove its machinery and equipment, or any part thereof, outside the site of the project without the Bank's written prior consent, other than temporary removals of machinery and equipment for the purposes of repair only.
- (d) To notify the Bank forthwith of any instance of fire or other serious failure in the project.
- (e) To notify the Bank forthwith of any instance of attachment on its machinery and equipment or on any part thereof or on the project or on any part thereof or on its other property and assets which it has now or will have in the future or on any part thereof, as well as to notify the person laying the attachment forthwith of the charge in the Bank's favor and to take forthwith at its own expense all the measures necessary for the removal of the attachment.
- (f) Not to sell, let, lease, hand over and transfer in any other manner whatever the project or any part thereof or its other property and assets which it has now or will have in the future or any part thereof without the Bank's written prior consent, except for ordinary sales only of produce or materials effected in the ordinary course of the borrower's business; also, not to grant a right to use or any other right in the project or any part thereof, or in its other property and assets which it has now or will have in the future or any part thereof, without the Bank's written prior consent.
- (g) Subject to the provisions of clause 29 infra - not to charge and not to pledge by means of pledge, mortgage, fixed or floating charge or any other charge and any form whatever the project or any part thereof or its other property and assets which it has now or will have in the future or any part thereof, without the Bank's written prior consent.

- (h) To observe all the regulations of the authorities in Israel (the police department, health department, competent authorities, local council, municipality, etc), and to comply with all the regulations of such authorities; as well as to pay scrupulously all the taxes, rates, levies, debts and other fees of any kind (governmental, municipal and otherwise) applying or to be applied to the charged property or in connection therewith.
- (i) To permit and enable the Bank and the World Bank, their representatives, agents, clerks and delegates or whoever is nominated by the Bank or the World Bank to inspect at any time the condition of the project or any part thereof, and to peruse all the documents, records, accounts and data concerning the project, and to assist them and furnish to them upon their first demand all the information and documents required by them, including information and explanations regarding the financial and operational condition of the project and the borrower.
- (j) To keep account books in a manner approved by certified accountants and to permit the Bank's clerks or representatives and the World Bank's clerks or representatives to peruse the books and registers and to obtain copies thereof at any time.
- (k) To furnish to the Bank and the World Bank the borrower's balance sheet and profit and loss account, inspected and approved by certified accountant forthwith upon their completion and no later than six months from the date to which they relate.
- (l) To furnish to the Bank full details on all the resolutions adopted at directors meetings and at the general meetings of the borrower concerning alterations of capital, distribution of capital, acceptance of loans secured by charges, plans of investment in the project, as well as plans designed to contract or expand the project, forthwith upon the adoption of any such resolution.
- (m) To execute all the agreements with its directors, business managers, clerks employees and shareholders according to the general practice. The Bank shall be entitled to require the provision of copies of the said documents. Any compensation, indemnity, remuneration and wages paid by the borrower to its workmen and/or employees and/or shareholders shall be reasonable and a report thereon shall be furnished to the Bank upon its first demand.

16.

The borrower hereby declares and confirms as follows: - 19 -

- (a) That at the date of this agreement no application is pending against it for the appointment of a receiver (temporary or permanent) or a receiver and manager (temporary or permanent) or for its winding up.
- (b) That no order has been issued against it appointing a receiver (temporary or permanent or qualified) or a receiver and manager (temporary or permanent or qualified) and/or no order for its winding up.
- (c) That it has not adopted a winding up resolution and that it does not intend to adopt any such resolution.
- (d) That except as specified in the documents (including financial reports) furnished by it to the Bank, it has not undertaken nor entered any other or additional financial liabilities or obligations not in the ordinary course of business, including liabilities or obligations in connection with the payment of any taxes - which may alter or bring about a fundamental alteration in its financial condition or legal structure.
- (e) That no action is pending against it in any court of law (other than those actions disclosed ~~by~~ by it to the Bank in writing) and that to its best knowledge no action is about to be lodged against it.
- (f) That it has disclosed to the Bank in writing all the facts and conditions liable to fundamentally affect the orderly conduct of its business.

17.

The borrower hereby undertakes to furnish to the Bank and/or the World Bank, upon the first demand of either all the explanations, details and documents required by either of them concerning the implementation of the investments plan. The borrower shall enable the bank and/or whoever is appointed by the Bank and/or the World Bank and their representatives, agents, clerks and delegates to visit the project and any place where it conducts business, alone as well as with experts, laborers and other persons, and to inspect the process of implementation of the investments plan, during the implementation of the investments plan and even after its completion, as well as to inspect from time to time all that has been done and implemented and all that has been purchased and erected within the framework of the investments plan and whether all the works and plans and things, for the financing of which the bank agreed

to grant the said loan, have actually been executed.

18.

In any of the following events the Bank will be entitled to demand from the borrower the immediate repayment of the entire unpaid balance of the said loan plus interest at the maximal rate permissible at that time, from the date of the event and until the full repayment, plus costs:-

- (a) If the borrower fails to repay at the prescribed time any of the installments of the principal of the said loan or any of the interest payments or any other sum owing from it under this agreement. A fifteen day delay in any repayment shall not be deemed as a failure to repay at the prescribed time for the purposes of this paragraph only.
- (b) If a receiver (temporary or permanent) or a receiver and manager (temporary or permanent) or a liquidator (temporary or permanent) is appointed in respect of the borrower's business and/or property or any part thereof.
- (c) If the borrower adopts a winding-up resolution or if a winding-up order is issued against it or if the borrower stops repaying its debts or if the borrower concludes a compromise and/or settlement with its creditors or any part thereof.
- (d) If for any reason the borrower interrupts the operations at the project (in their larger part or absolutely) for six months or more, or if for any reason the operations at the project are interrupted (in their larger part or absolutely) for six months or more, or if for any reason the borrower interrupts its business (in its larger part or absolutely), or if for any reason the borrower's business is interrupted
- (e) If the project is struck by fire or any other



serious failure and the bank is reasonably apprehensive that as a result therefrom the borrower will be unable to meet any of its obligations under this agreement.

- (f) If any attachment (including a temporary attachment, a conditional attachment, a fixed attachment, a final attachment or any other attachment) is laid on the project or the borrower's other property and assets or any part thereof, or if any measure of execution is taken against the project or the borrower's other property and assets or any part thereof, and the attachment or measure of execution are not absolutely stopped or removed within 30 (thirty) days from the day when the attachment was laid or the day when the said measure of execution was taken, as the case may be.
- (g) If the borrower sells, lets, leases, hands over or transfers in any other manner whatever the project or any part thereof or its other property and assets which she has now or will have in the future or any part thereof (other than ordinary sales only of produce or materials effected in the ordinary course of the borrower's business) without the bank's written prior consent.
- (h) If the borrower grants a right to use or any other right in the project or any part thereof or in its other property and assets which it has now or will have in the future, or any part thereof, without the bank's written prior consent.
- (i) If the borrower removes its machinery and equipment or any part thereof outside the site of the project without the bank's written prior consent, other than temporary removals of machinery and equipment for the purposes of repair only.
- (j) Subject to the provisions of clause 29 infra - if the borrower charges or pledges by means of pledge, mortgage, fixed or floating charge or any other charge, in any form whatever, the project or any part thereof or its other property and assets, which it has now or will have in the future, or any part thereof, without the bank's written prior consent.
- (k) If the bank considers (at its exclusive discretion) that a change in control over the borrower has occurred - as compared with the status prevailing on the day when this agreement was signed - by means of a voluntary transfer of shares or in any other way (other than a bona fide transfer of shares among those who even at present are shareholders of the borrower or a transfer of shares by way of succession) without the bank's written prior consent.

- (l) If the borrower violates or fails to comply with any or more of the terms or provisions or clauses of this agreement or any other agreement or instrument, concluded in the past or to be concluded in the future between the bank and the borrower or executed in the past or to be executed in the future by the borrower in the bank's favor.
  - (m) If it transpires that any of the borrowers' declarations in this agreement or any other agreement or instrument concluded in the past or to be concluded in the future between the bank and the borrower or executed in the past or to be executed in the future by the borrower in the bank's favor - is incorrect.
  - (n) If the borrower has received or will receive a grant under or within the framework of the Law for the Encouragement of Investments of Capital 1959, as amended - and the grant, in whole or in part, is revoked.
  - (o) In any additional other event as specified in Addendum A.
19. In any of the events specified in the previous clause (including those specified for that purpose in Addendum A, should there be any) the bank shall be entitled to take all legal steps which it may deem fit for the realization of the securities accorded and/or to be accorded it to guarantee all or any part of the sums owing and/or to be owing to the bank from the borrower under this agreement, or any part of such securities, and/or for the collection of the said loan plus interest and costs in any other manner deemed fit by it, and particularly, without prejudice to the generic extent of its rights, it shall be entitled to appoint - alone and/or through a competent court of law - a receiver or a receiver and manager on the borrower's property and assets - in whole or in part - and the borrower hereby approves and assents in advance to any person appointed and/or proposed for appointment by the bank as aforesaid. Also, and in addition to the above, the bank shall be entitled to auction all or any part of the charged property, and the bank shall also be entitled to demand the winding-up of the borrower.
20. Any receiver or receiver and manager appointed as aforesaid shall be deemed as the borrower's representative and shall be entitled to do the following:
- (a) To take possession of all the borrower's property and assets as well as to run the project and/or to close it.
  - (b) To manage or take part in the management of the borrower's business at his discretion.
  - (c) To sell or agree to the sale of all or any part of the borrower's property and assets, or to transfer same in any other manner on terms he may deem fit.

- (d) To perpetrate any other arrangement regarding the borrower's property and assets as he may deem fit.

21. All the revenue derived by the receiver and/or the receiver and manager from the borrower's property and assets, as well as all the proceeds received by the bank and/or the receiver or the receiver and manager out of the sale of the borrower's property and assets or any part thereof, shall be applied:

- (a) First, in repayment of all the costs incurred in connection with the collection of the said sums including all the costs of the receiver or receiver and manager and his wages at a rate to be determined by the bank.
- (b) Second, in repayment of the interest, commission and costs owing or to be owing to the bank under this agreement.
- (c) Third, in repayment of all the amounts of the principal of the said loan owing or to be owing to the bank upon the realization of the said securities.
- (d) Any balance left after deducting everything due on account of the said loan, interest and costs will be put at the borrower's disposal, unless any other sum or sums will then be owing to the bank from the borrower, in which case the bank shall be entitled to apply the balance referred to at the beginning of this paragraph in repayment of any such sum or sums at the bank's exclusive discretion.

22. No waiver, discount, abstinence from action on time or a grant of an extension by the bank will be deemed as any waiver whatever of the bank's rights under this agreement nor will they serve as a bar to an action by the bank.

23. The bank's books and accounts shall be trusted by the borrower and shall serve at any time as proof against it regarding the amounts of the principal of the said loan, the interest, the costs and all other details pertaining to this agreement. The borrower hereby agrees that a copy of the bank's accounts regarding the said loan, signed by the bank or its clerk, shall be admitted as proof of the veracity of the account in any court of law or execution office.

24. The bank shall be entitled at any time to assign this agreement and/or the securities created and/or to be created thereunder in all their details in full or in part to another or others, prior or subsequent to the date of repayment of the said loan or any part thereof, the borrower's consent being unnecessary. The assignees too shall be entitled to assign the assigned rights to others, the borrower's consent being unnecessary.

25. The borrower hereby agrees that the bank shall be entitled to procure from time to time, as it may deem fit, the guarantee of any person or body (hereinafter in this clause - "the said guarantor") for the full or partial repayment of the sums owing and to be owing to the bank from the borrower under this agreement (including the principal of the said loan, interest and costs).
- It is hereby agreed that should the bank procure the guarantee of the said guarantor as provided in this clause above, the said guarantor would be entitled to turn back to the borrower for repayment of any sum paid to the bank by the said guarantor in discharge of his said guarantee and the said guarantor would also be entitled to all other remedies against the borrower under any law as if the said guarantor gave his guarantee upon the borrower's request and consent. To avoid any doubts it is hereby declared that the provisions of this clause above do not impose any duty on the borrower to provide a guarantor to the bank under this clause.
26. Without prejudice to any of the provisions of this agreement and in addition thereto, the parties hereby confirm that this agreement constitutes a debenture of the borrower under the Companies Ordinance, to secure the repayment of all the sums owing and to be owing to the bank under this agreement.
27. The parties hereto hereby dispense with the necessity of sending and receiving notarial notices or other official notices in connection with this agreement.
28. It is hereby agreed between the parties that, in addition to the provisions of this agreement, all the charges which the borrower has created and/or undertaken, to create in the bank's favor under this agreement secure and will secure the full and accurate repayment of all the sums owing and to be owing to the bank from the borrower as principal, interest, commission, costs, indemnity, compensation or in any other manner and from any source whatever (including this agreement), whether such sums are owing from the borrower separately or jointly with another or others, whether such sums are due now or will be due in the future, whether such sums are owing from the borrower as debtor or guarantor, whether such sums are definitely or conditionally owing, whether such sums are owing directly or indirectly - all that within the limits of the amount parallel to the amount prescribed in Addendum A as the amount of the said loan plus interest, commission and costs.

29.

It is hereby agreed between the parties that, irrespective of the above provisions of this agreement, the borrower will be entitled to do all or any of the following acts without having to obtain the bank's consent therefor:

- (a) To deliver from time to time and at any time customers' bills of the borrower, securities, import and/or export documents (other than documents concerning machinery and equipment purchased within the framework of the investments plan) and any other negotiable instruments (hereinafter in this clause - "the said instruments") unlimited in amount, to any banking or financial institution (hereinafter in this clause - "the said institution") as security for loans, credits, banking services and any other services received and/or to be received from time to time and at any time by the borrower from the said institution. The bank and the borrower hereby agree that the right of the said institution to collect from the proceeds of the said instruments delivered and/or to be delivered to it as aforesaid, shall be higher in priority than the right of the bank to collect from the proceeds of these instruments by virtue of the charges created and/or to be created by the borrower in the bank's favor under this agreement.
- (b) To charge or pledge, from time to time and at any time, in the said institution's favor, in any form, manner and degree whatever (including even a degree higher in priority than the charges or pledges which the borrower has created and/or undertaken to create in the bank's favor under this agreement) the said instruments or any part thereof, unlimited in amount, as security for loans, credits, banking services and any other services received and/or to be received from time to time and at any time by the borrower from the said institution.
- (c) To charge or pledge, from time to time and at any time, in the said institution's favor, in any form, manner and degree whatever (including even a degree higher in priority than the charges or pledges which the borrower has created and/or undertaken to create in the bank's favor under this agreement) its current property or any part thereof, within the limits of a total amount not exceeding the amount prescribed for that purpose in Addendum A, as security for loans, credits, banking services and any other services received and/or to be received from time to time and at any time by the borrower from the said institution.

"Current property" for the purposes of paragraph C of this clause shall mean - stock, merchandise, raw materials, finished products, products in the process of manufacturing, debts recorded in the books as well as the insurance rights in these assets.

30.

The borrower's address for the purposes of this agreement is the address of its registered office or its address as prescribed in Addendum A or any other address in Israel notified by the borrower to the bank in a registered letter receipt of which was acknowledged by the bank in writing. Any notice sent by the bank to the borrower by ordinary mail to any of the said addresses shall be deemed as a legal notice delivered to the borrower within 48 hours from the mailing of the letter containing the notice, and proof of the mailing of the letter will suffice to establish delivery.

31.

(a) All the costs involved in the making and signing of this agreement (including additional agreements and including amendments of this agreement) including the duties and fees payable for its stamping and the stamping of all other instruments connected therewith (including additional charges) and including the fees of the bank's lawyer (at a rate determined between the bank and its lawyer), as well as all the costs involved in the execution of this agreement and the realization of the securities given and to be given under it, as well as all the costs incurred by the bank in connection with the collection of the principal of the said loan, the interest and the costs and in connection with the collection of any other sum owing and to be owing to the bank under this agreement as well as all the costs incurred by the bank in connection with the inspection of the property charged or pledged to it and in connection with other acts which the bank is entitled to perform under this agreement (including the costs of perusing and obtaining copies or extracts from the registrar concerning the borrower) as well as all other costs and sums paid by the bank at the borrower's expense or due from the borrower but paid by the bank - shall be paid by the borrower to the bank upon its first demand plus interest, at the maximal interest rate permissible in Israel from time to time, from the date of demand until the full repayment of such costs, and until their full repayment all the costs specified in this paragraph, including the interest thereon, shall be secured by the securities given and to be given under this agreement. The term costs referred to in this paragraph includes, inter alia, also the fees of the bank's lawyer at the rate determined between the bank and its lawyer.

- (b) Without prejudice to the aforesaid, the bank may from time to time collect all or any part of the said costs owing to it as provided in paragraph (a) above, including the interest thereon, from the funds of the said loan and/or from any other sum owing and/or to be owing to the borrower from the bank in any way whatever, and any sum collected by the bank as aforesaid from the funds of the said loan shall be deemed as if it were granted to the borrower on account of the said loan.

32. It is hereby agreed between the parties that the bank may, without having to obtain the borrower's consent, collect from time to time any sum or sums owing and/or to be owing to it from the borrower in any way whatever and which were not paid to the bank in time, from the funds of the said loan and to be owing to the borrower from the bank as well as from any other sum owing and/or to be owing to the borrower from the bank in any way whatever, and any sum collected by the bank as aforesaid from the funds of the said loan shall be deemed as if it were granted to the borrower on account of the said loan.

33. (a) For terms additional to this agreement - see Addendum A. It is hereby agreed and declared that Addendum A as well as all other Addenda of this agreement form an inseparable part thereof and all the provisions of such addenda complement and add to the provisions of this agreement. Terms and definitions in the addenda of this agreement shall have the same meaning as in the body of the agreement.
- (b) In this agreement the singular includes the plural, and vice versa, and masculine includes the feminine, and vice versa; provided there is nothing in the substance of the matter or the context inconsistent with such a meaning.
- (c) In this agreement the phrase "maximal interest rate" or any other phrase signifying the fixing of a maximal interest rate shall mean - regarding the time when no legal restriction is imposed on the rate of interest - the maximal interest rate in force in the bank at that time.

34. The borrower hereby undertakes to sign any document or form, forthwith upon the bank's first demand, if under any law the signing by the borrower of such document or form is or will be necessary, at the bank's exclusive discretion, in order to render or keep this agreement or any security given thereunder or any of its provisions fully effective.

35. The competent court in the Tel-Aviv district shall have jurisdiction for the purposes of this agreement, but the bank shall also be entitled to institute legal proceedings against the borrower in any other competent court.

In Witness Whereof The Parties Hereto Have Hereunto Set Their Hands On The Date First Above Written.

Addendum A

1. The said loan: The amount of the said loan is ----- Israeli Pounds.

2. The Project: A project for the manufacture of ----- owned by the borrower and situated at.....

3. The investments plan: The borrower's investments plan is as follows:

4. The interest: The said loan shall bear annual interest at the rate of -----% (----- percent) per annum, to be computed every calendar quarter respecting the sums owing by the borrower to the bank from time to time, and to be paid by the borrower to the bank separately from the installments of the principal of the said loan, on the following dates: on March 31st, on June 30th, on September 30th and on December 31st of each year, starting that of the said dates closest to the date of this agreement.

(a) The said loan shall bear annual interest at the rate of -----% (----- percent) per annum, to be computed every calendar quarter respecting the sums owing by the borrower to the bank from time to time, and to be paid by the borrower to the bank as follows:

(1) The said interest, accruing according to a current conto calculation every three months, for the period until the end of the month of ----- of the year ----- ((the 18th month from the date of the loan agreement)) (hereinafter - "the deferred interest") shall be paid by the borrower to the bank in equal and successive monthly installments on the 1st of each Gregorian month, starting the 1st of the month of ----- of the year ----- and ending the 1st of the month of ----- of the year -----.



((The first installment shall become due on the 1st of the month immediately following the expiration of the said 18 months period and the last installment shall become due on the day of the last installment of the principal of the said loan)).

(2) The interest on the said loan as aforesaid, for the period starting the 1st of the month of ----- of the year ----- ((the date here specified conforms to the date of the first installment of the deferred interest under paragraph a (1) above)), shall be paid by the borrower to the bank separately from the installments of the principal of the said loan, on the following dates: on March 31st, on June 30th, on September 30th and on December 31st of 1 each year, starting that of the said dates closest to the date prescribed at the beginning of this paragraph a(2).

(b) The deferred interest as aforesaid shall also bear interest at the same rate prescribed in paragraph (a) of this clause above, to be computed every calendar quarter respecting the sums of deferred interest owing by the borrower to the bank from time to time, and shall be paid by the borrower to the bank on the following dates- on March 31st, on June 30th, on September 30th and on December 31st of each year, starting that of the said dates closest to the date prescribed at the beginning of paragraph a(2) of this clause above.

(c) In this agreement the term interest with regard to the said loan is designed to also include deferred interest.

5. Commission: The rate of the single commission is -----% (----- percent).

6. The dates of repayment of the said loan:

The borrower hereby undertakes to repay to the bank or to the order thereof the principal of the said loan in -----  
(-----) installments, i.e. -----  
(-----) equal and successive monthly installments in the amount of ----- (-----) Israeli pounds each, on the 1st of each Gregorian month, starting the 1st of the month of ----- of the year ----- and one final installment of the unpaid balance of the principal of the said loan on the 1st of the month of ----- of the year ----- .

7. The said land: The land approximately ----- square meters in size known as parcel/parcels ----- in block ----- .

8. The borrower's address:

The borrower's address is ----- street no. ----- in ----- .

9. Floating charges on current property in a degree higher in priority than that of the bank:

The total sum which the borrower may secure by the creation of a floating charge on its current property as provided in paragraph (c) of clause 29 of this agreement is ----- (-----) Israeli pounds.

10. In addition to the provisions of clause 19 of this agreement, in any of the following events the bank will be entitled to demand from the borrower the immediate repayment of the entire unpaid balance of the said loan, plus interest at the maximal rate permissible at that time, from the date of the event and until the full repayment, plus costs:

(a) If a receivership or bankruptcy order is issued against any of the following: -----

-----  
(any of the above shall be referred to in this paragraph as - "the guarantor"), or if the guarantor ceases to pay his debts, or if the guarantor reaches a compromise and/or settlement with all or any of his creditors, and/or if the guarantor informs the bank of his relinquishing or qualifying the guarantee, and/or if the guarantor dies, and/or if a custodian is appointed for the body or property of the guarantor - and the borrower fails to furnish to the bank, within three days from the day when any or more of the events specified in the first part of this paragraph has occurred, an instrument of guarantee and obligation signed by a person or body agreed to by the bank in advance and in the form prescribed by the bank, under which the said person or body guarantees to the bank the full and accurate repayment in time of all the sums owing and to be owing to the bank from the borrower under this agreement. The provisions of this paragraph shall also apply, with the necessary adjustments, to the said person or body as if such person or body were the original guarantor, as well as to whoever comes in their stead.

- (b) If a receiver (temporary or permanent) and/or a receiver and manager (temporary or permanent) and/or a liquidator (temporary or permanent) is appointed in respect of all or any part of the business and/or property of any of the following: \_\_\_\_\_

\_\_\_\_\_

(any of the above shall be referred to in this paragraph as - "the guarantor") and/or if the guarantor adopts a winding-up resolution or if a winding-up order is issued against it and/or if the guarantor ceases to pay its debts and/or if the guarantor reaches a compromise and/or settlement with all or any of its creditors and/or if the guarantor informs the bank of its relinquishing or qualifying the guarantee - and the borrower fails to furnish to the bank, within three days from the day when any or more of the events specified in the first part of this paragraph has occurred, an instrument of guarantee and obligation signed by a person or body agreed to by the bank in advance and in the form prescribed by the bank, under which the said person or body guarantees and stipulates to the bank the full and accurate repayment in time of all the sums owing and to be owing to the bank from the borrower under this agreement. The provisions of this paragraph shall also apply, with the necessary adjustments, to the said person or body as if such person or body were the original guarantor, as well as to whoever comes in their stead.

11. In addition to the above provisions of this agreement it was agreed and declared by the parties as follows:

- (a) As further security for the accurate and full repayment of all the sums owing and to be owing to the bank from the borrower under this agreement (including the principal of the said loan, interest and costs) the borrower shall furnish to the bank forthwith after the signing of this agreement an instrument of guarantee and obligation signed by: \_\_\_\_\_

\_\_\_\_\_

The said instrument of guarantee and obligation shall be in the mode and form agreed to by the bank in advance.

- (b) (1) The borrower hereby declares and confirms that its fully paid up share capital, to the day of the signing of this agreement, amounts to \_\_\_\_\_ (\_\_\_\_\_)
- Israeli pounds, and it hereby undertakes to furnish to the bank proof to that effect to the full satisfaction of the bank, forthwith upon its first demand.

- (2) The borrower hereby undertakes to see to it that within \_\_\_\_\_ days from the day of the signing of this agreement its fully paid up share capital is increased so as to reach an amount not less than \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds. The borrower shall furnish to the bank proof regarding the increase of its paid up share capital as aforesaid to the satisfaction of the bank, from time to time forthwith after the increase of its paid up share capital as well as whenever required to do so by the bank.
- (3) The borrower hereby undertakes to see to it that its fully paid up share capital is increased simultaneously with the advent of the implementation of the investments plan so that upon completion of the full implementation of the investments plan, but not later than \_\_\_\_\_, the fully paid up share capital of the borrower reaches an amount of at least \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds. The borrower shall furnish to the bank proof regarding the increase of its paid up share capital as aforesaid to the satisfaction of the bank, from time to time forthwith after the increase of its paid up share capital as well as whenever required to do so by the bank.
- (c) (1) The borrower hereby declares and confirms that it owes its shareholders (hereinafter - "the shareholders") to the day of the signing of this agreement, on account of long-term loans it received from them, an amount not less than \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds (hereinafter - "the holders' loans").
- (2) The borrower hereby declares and confirms that it owes its shareholders (hereinafter - "the shareholders") to the day of the signing of this agreement, on account of long-term loans it received from them, an amount not less than \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds. The borrower hereby undertakes to see to it that the shareholders loan to it an additional sum (also on a long-term basis) in the amount of \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds, within a period of \_\_\_\_\_ days from the day of the signing of this agreement, simultaneously with the advent of the implementation of the investments plan, so that upon completion of the implementation of the investments plan, but not later than \_\_\_\_\_, the total amount loaned, and to be loaned to it by the shareholders as aforesaid shall be not less than \_\_\_\_\_ (\_\_\_\_\_) Israeli pounds. (The sums loaned and to be loaned to the borrower by the shareholders as aforesaid shall hereinafter be referred to as - "the holders' loans").

- (3) The borrower hereby undertakes not to pay to the shareholders or anybody else, directly or indirectly or in any other form, any sum whatever (including payments of principal, interest, sums deriving from linking terms, sums of indemnity, sums of compensation, commission and costs) on account of the holders' loans or any part thereof or in connection therewith, as long as the sums owing and to be owing to the bank from the borrower under this agreement are not fully repaid.

The borrower also hereby undertakes not to pay to its shareholders or anybody else, directly or indirectly or in any manner and form whatever, any sum whatever out of or on account of the profits due and to be due in any form whatever to its shareholders or any of them or anybody else (the term profits also includes dividends and other rewards) as long as the sums owing and to be owing to the bank from the borrower under this agreement are not fully repaid.

This paragraph ought to be typed only where explicitly stated in the instruction for the preparation of the agreement.

- (4) Irrespective of the above provisions the borrower shall be entitled, from time to time, to repay out of the holders' loans such sums whose proportion to the holders' loans shall not be larger than the proportion of the sums then repaid on account of the said loan to the amount of the said loan, and the borrower shall likewise be entitled to pay to the shareholders or to others interest on the holders' loans, all that subject to the following two conditions:
- (a) That the borrower has then met all its obligations to the bank under this agreement and under any other agreement or instrument concluded in the past or to be concluded in the future between the bank and the borrower or executed or to be executed by the borrower in the bank's favor, and also
- (b) That the interest rate paid by the borrower to the shareholders or to others as aforesaid does not exceed the interest rate of the said loan.

This paragraph ought to be typed only with the approval of the legal adviser.

- (5) The borrower hereby undertakes to furnish to the bank - forthwith upon the signing of this agreement - an instrument of obligation in the note agreed to by the bank in advance signed by all or any of its shareholders as agreed by the bank, under which such shareholders undertake to act in fulfillment of the borrower's obligations as above specified.

(6) The phrase "long-term loans", wherever it appears above, means loans repayable not before 10 (ten) years from the date of this agreement.

(a) Without prejudice to any of the provisions of this agreement and in addition thereto, to further secure the full and accurate repayment of all the sums owing and to be owing to the bank from the borrower under the agreements dated \_\_\_\_\_ in the amount of \_\_\_\_\_ and dated \_\_\_\_\_ in the amount of \_\_\_\_\_ concluded between the bank and the borrower (hereinafter - "the previous agreements") and in virtue of clause 121 of the Companies Ordinance and in virtue of the Pledge Law 1967 and/or in virtue of any other law, the borrower hereby places a fixed (specific) charge in favor of the bank and its alternates on the said machinery and all the borrower's rights in the said machinery (as defined in clause 8 of this agreement above), and all the clauses of the previous agreements shall also apply, with the necessary adjustments, to the charge granted under this paragraph to secure all the sums owing and to be owing to the bank under the previous agreements. The borrower confirms and declares that the fixed charge created under this paragraph above constitutes both a fixed charge under the Companies Ordinance and a pledge under the Pledge Law 1957, either of them exists unto itself and is realisable under each of these laws.

12. Irrespective of any provision elsewhere in this agreement and the addenda thereof, the following terms shall apply:

a.

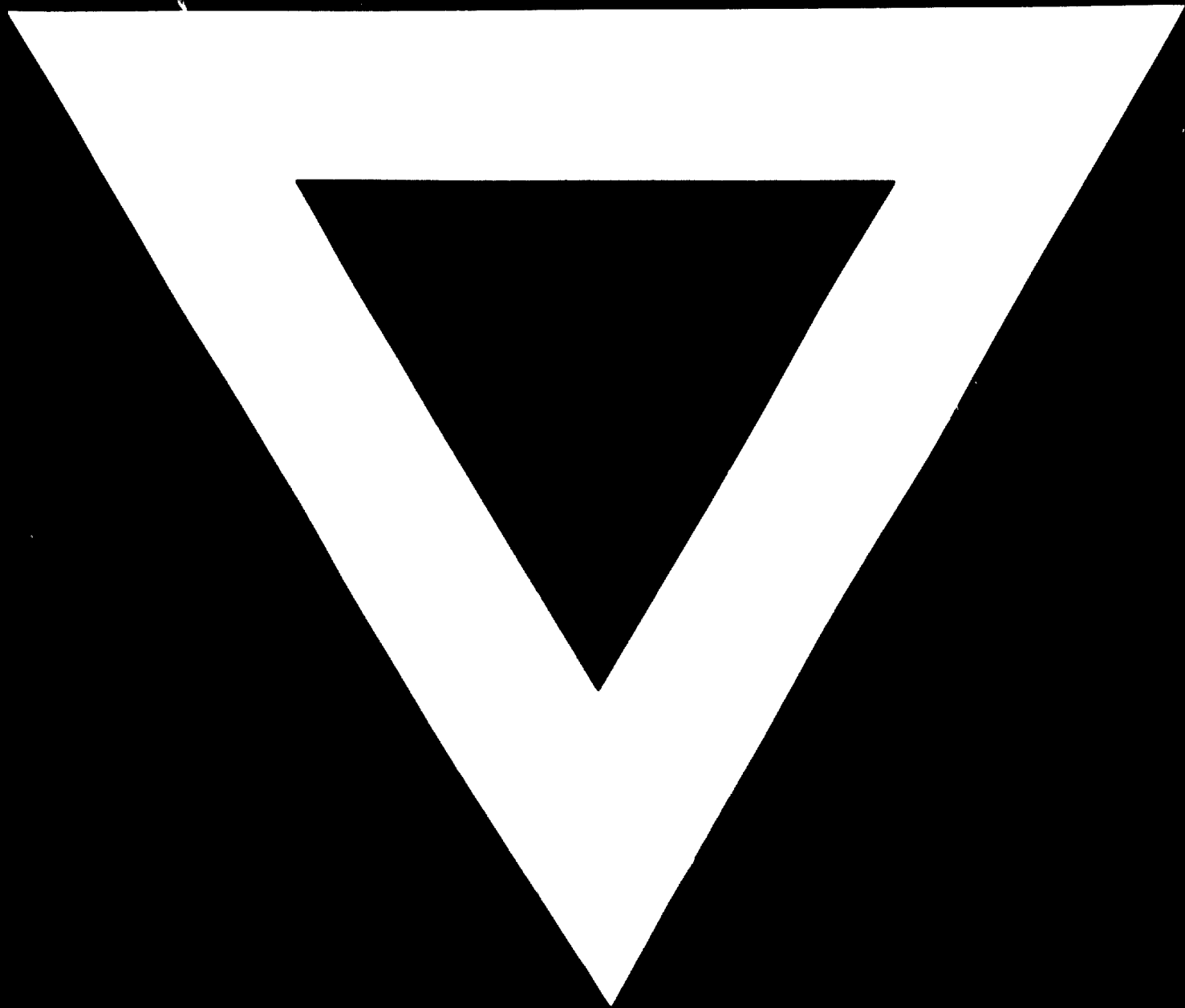
b.

c.

13. The charges placed on the borrower's property to the date of this agreement are as follows:

| <u>Date of creation<br/>of the charge</u> | <u>The nature<br/>of the charge</u> | <u>In whose favor<br/>created</u> | <u>The sum<br/>enclosed</u> |
|---|-------------------------------------|-----------------------------------|-----------------------------|
|---|-------------------------------------|-----------------------------------|-----------------------------|





**7. 10. 71**