

No. 8245

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ISRAEL**

Guarantee Agreement—*Industrial Finance Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Industrial Development Bank of Israel Limited). Signed at Washington, on 16 September 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 12 July 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ISRAËL**

Contrat de garantie — *Projet de financement industriel* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Industrial Development Bank of Israel Limited). Signé à Washington, le 16 septembre 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 12 juillet 1966.

No. 8245. GUARANTEE AGREEMENT¹ (*INDUSTRIAL FINANCE PROJECT*) BETWEEN THE STATE OF ISRAEL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 16 SEPTEMBER 1965

AGREEMENT, dated September 16, 1965, between STATE OF ISRAEL (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Industrial Development Bank of Israel Limited (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal of and interest and other charges on such loan; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in the Loan Agreement shall have the same meaning herein as if such definitions were fully set forth herein.

¹ Came into force on 17 November 1965, upon notification by the Bank to the Government of Israel.

² See p. 220 of this volume.

³ See p. 218 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement, the Trust Deed and the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of the Bank of Israel or any other institution acting as the central bank of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “assets of the Guarantor” as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of

the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned^d by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement, the Trust Deed and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Minister of Finance
Jerusalem, Israel

Alternative address for cablegrams and radiograms :

Ozar
Jerusalem

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 5.03. If the Loan Agreement terminates pursuant to Section 8.03 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

State of Israel :

By Nachum SHAMIR
Authorized Representative

International Bank for Reconstruction and Development :

By George D. Woods
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS
OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(*INDUSTRIAL FINANCE PROJECT*)

AGREEMENT, dated September 16, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED (hereinafter called the Borrower), a corporation duly incorporated under the Companies Ordinance of the Guarantor.

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, or any Schedule thereto, the following terms shall have the following meanings unless the context otherwise requires :

- (a) The term " Investment Enterprise " shall mean an enterprise to which the Borrower shall have granted a credit, or in which it shall have made an investment, in accordance with and as provided in Section 4.01 of this Agreement.
- (b) The term " Investment Project " shall mean a specific investment project to be carried out by an Investment Enterprise in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement.
- (c) The term " Trust Deed " shall mean the trust deed to be executed by the Borrower on request of the Bank pursuant to Section 6.09 of this Agreement and shall include any deed or instrument supplemental thereto.
- (d) The term " subsidiary " shall mean a company which is a subsidiary of the Borrower within the meaning of the Companies Ordinance of the Guarantor or any amendment thereof.

Words importing the singular number include the plural number and vice versa.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

¹ See p. 218 of this volume.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as follows :

(a) When any Investment Project shall be approved by the Bank as in Section 4.02 of this Agreement provided, there shall be credited to the Loan Account in respect of such Investment Project, such part of the Loan as the Bank shall approve.

(b) There shall be so credited, in respect of any Investment Project for which the Borrower is to make a loan and for which no credit has been made to the Loan Account pursuant to paragraph (a) of this Section, such part of the Loan as the Borrower shall from time to time request, but not exceeding such limits as shall from time to time be agreed by the Bank with respect to amounts credited pursuant to this paragraph (b) for each such Investment Project and for all such Investment Projects. Each request by the Borrower for credit to the Loan Account pursuant to this paragraph (b) shall state the Investment Project for which the part of the Loan to be credited is requested.

(c) Except as the Bank shall otherwise agree, no credit shall be made to the Loan Account pursuant to paragraph (a) of this Section in respect of any portion of the Loan the proceeds of which are to be invested by the Borrower other than by way of loan, until the Bank and the Borrower shall have agreed upon the terms and conditions of such investment and upon an amortization schedule for the repayment of such portion of the Loan by the Borrower to the Bank.

(d) The Loan Account may, by agreement between the Bank and the Borrower, be reduced by any amount credited thereto pursuant to paragraph (a) or paragraph (b) of this Section. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an Investment Project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement, and shall be applied exclusively for credits for, or investments in, the Investment Project in respect of which such amounts were credited to the Loan Account.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the amount of each part of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account, or from such other date or dates as shall have been agreed upon between the Bank and the Borrower, to the respective dates on which (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to the provisions of Section 2.02 (d) of this Agreement.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement; provided, however, that said amortization schedule shall be amended from time to time to conform substantially to the aggregate of the amortization schedules applicable to the Investment Projects for which parts of the Loan have been credited to the Loan Account and, in the case of investments in Investment Projects other than loans, of the amortization schedules agreed between the Bank and the Borrower pursuant to Section 2.02 (c) of this Agreement. Such amendments of the amortization schedule shall include amendments of the premiums on prepayment and redemption if required. The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal aggregate semi-annual, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal.

Article III

FLOATING CHARGE

Section 3.01. As security for the payment of the principal of, and premium (if any) and interest on, the Loan and the Bonds, the Borrower hereby charges in favor of the Bank the whole of its undertaking and assets (including its goodwill) wheresoever and whatsoever present and future. The charge created by this Section shall be a floating charge and shall rank *pari passu* with the charge securing the debentures or series of debentures of the Borrower outstanding on the date of this Agreement.

Section 3.02. (a) On the principal of the Loan and of all the Bonds becoming due and payable immediately under the provisions of Section 7.01 of this Agreement, the security hereby constituted shall become enforceable and the Bank shall be entitled to take such steps as it sees proper in order to enforce the said security and to collect and recover the amounts due under the Loan Agreement and under the Bonds from the Borrower and in particular, but without derogating from the generality of the foregoing, to appoint a receiver and/or manager, with the leave of court, over the whole or any part of the aforesaid undertaking and assets of the Borrower upon such terms as to remuneration and otherwise as the Bank thinks fit.

(b) A receiver and/or manager so appointed shall be the agent of the Borrower and shall have power to do all or any of the following things, namely :

- (i) To take possession of and get in all or any part of the undertaking and assets of the Borrower as are hereby charged to the Bank;

- (ii) To carry on or to concur in carrying on the business of the Borrower and for that purpose to borrow money secured on the property hereby charged in priority to the charge hereby created or otherwise;
- (iii) To sell or concur in selling any such property and assets as aforesaid, or otherwise transfer, dispose of or deal therewith or concur in transferring, disposing or dealing therewith on such terms in the interests of the Bank as he shall think fit;
- (iv) To make any arrangement or compromise which he shall think expedient; and
- (v) To execute and do all such acts, instruments and things as may appear necessary or proper for or in relation to any of the purposes aforesaid *provided always* that nothing herein contained shall make the Bank liable to such receiver or manager aforesaid in respect of his remuneration, costs, charges or otherwise.

(c) The net profits of carrying on the said business of the Borrower and the net proceeds of any sale, transfer, disposition or other dealing or of any compromise or arrangement as aforesaid, shall be applied by the receiver and manager as follows :

- (i) Firstly, in the payment of all costs, charges and expenses of and incidental to the appointment of the receiver and manager and the exercise by him of all or any of the powers aforesaid including the reasonable remuneration of the receiver and manager and all outgoings properly paid by him;
- (ii) Secondly, in or towards the payment to the Bank of all costs and expenses, including legal fees and advocates' fees, incurred by it in or about the enforcement of the security hereby created;
- (iii) Thirdly, but subject to the rights of the holders of any security ranking *pari passu* with the security hereby created, in or towards payment of interest owing under the Loan Agreement and the Bonds;
- (iv) Fourthly, but subject as aforesaid, in or towards payment of the principal monies payable under the Loan Agreement and the Bonds; and
- (v) Fifthly, the surplus (if any) shall be paid over to the Borrower.

Section 3.03. The Borrower shall be entitled to charge the assets charged by Section 3.01 of this Agreement to secure, by way of floating charge ranking *pari passu* with the charge created by Section 3.01 of this Agreement, (i) additional debentures or series of debentures to be issued by the Borrower and (ii) loans to the Borrower from the Development Loan Fund (presently the Agency for International Development) of the United States of America; provided, however, that the aggregate amount of the unredeemed debentures (taking into account the linking terms thereof) issued by the Borrower and so secured (including the Loan and the Bonds and any loans so secured from the Development Loan Fund), outstanding at the time of the issue of such additional debentures or series of debentures or at the time of the securing of any of such loans shall not, together with such additional debentures or series of debentures or such loan or loans, as the case may be, exceed twice the aggregate amount of the paid-up share capital of the Borrower together with its reserve funds for the time being.

Section 3.04. Save as provided in Section 3.03, the Borrower shall not without the prior written consent of the Bank create any lien on its aforesaid undertaking or

assets or any part thereof ranking prior to or *pari passu* with the floating charge in favor of the Bank created under Section 3.01 of this Agreement; provided, however, that the foregoing provisions of this Section shall not apply to :

- (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property or
- (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 3.05. The primary obligation of the Borrower to pay the aggregate amount of the principal of, and the premium (if any) and interest on, any part of the Loan or the Bonds in the currency provided for in the Loan Agreement or in the Bonds (in this Section called the "stipulated currency") shall in no circumstances be affected or impaired by any alteration in the rate of exchange from time to time prevailing between the stipulated currency and any other currency whether such alteration shall occur before or on or after the date of maturity of such part of the Loan or the Bonds or other date upon which the security constituted by Section 3.01 of this Agreement shall become enforceable, so that the primary obligation shall not be deemed to have been discharged or satisfied by any tender of or recovery of judgment expressed in any currency other than the stipulated currency except to the extent to which such tender or judgment shall result in the effective payment of the said aggregate amount in the stipulated currency, and accordingly the primary obligation shall continue enforceable for the purpose of recovering in the stipulated currency the amount (if any) by which any such effective payment shall fall short of the said aggregate amount.

Article IV

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 4.01. The Project for which the Loan is granted is the financing by the Borrower of development in Israel through credits for productive purposes to enterprises in Israel which are or will be controlled by private capital, and through other productive investments in such enterprises, all for specific development projects, in accordance with the Memorandum and Articles of Association of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 4.02. The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such Investment Projects as shall from time to time be approved by the Bank or in respect of which amounts have been credited to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such Investment Project more than ninety days prior to the submission of the Investment Project to the Bank for approval or, in the case of credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement, more than ninety days prior to the request for credit to the Loan Account.

Section 4.03. (a) When submitting an Investment Project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such Investment Project and such other information as the Bank shall reasonably request.

(b) Within thirty days from the date on which the Loan Account shall have been credited pursuant to the provisions of Section 2.02 (b) of this Agreement in respect of an Investment Project, the Borrower shall, if it has not already done so, furnish to the Bank a brief description, in form satisfactory to the Bank, of such Investment Project and of the terms and conditions of the Borrower's credit for such Investment Project.

(c) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Projects pursuant to the provisions of Section 2.02 (a) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted on or before May 31, 1967.

Article V

BONDS

Section 5.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations. Notwithstanding the provisions of Section 6.07 of the Loan Regulations, the forms of Bonds provided for in the Loan Regulations shall be appropriately modified to take account of the floating charge created by this Agreement or the Trust Deed, as the case may be.

Section 5.02. The Borrower shall from time to time designate and notify to the Bank an authorized representative or representatives for the purposes of Section 6.12 (a) of the Loan Regulations.

Section 5.03. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to the procedure for the issue, authentication and delivery of the Bonds and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

Article VI

PARTICULAR COVENANTS

Section 6.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management and in accordance with its Memorandum and Articles of Association, as amended from time to time.

Section 6.02. (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

(b) The Borrower undertakes that any loan made by it to an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan will be made on terms whereby the Borrower shall obtain, by the written agreement of such Investment Enterprise or other appropriate legal means, rights adequate to protect the interests of the Bank and Borrower, including the right to require such Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such Investment Project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Investment Project, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound industrial and business practices; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such credit.

Section 6.03. (a) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects and the administration, operations and financial condition of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the fiscal year to which they apply transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 6.04. (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower (including the adequacy of amounts appropriated to its reserves) and any other matters relating to the purposes of the Loan.

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 6.05. Subject to such exemption as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement¹ or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Trust Deed or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxes on payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 6.06. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Trust Deed or the Bonds.

Section 6.07. The Borrower shall not amend its Memorandum or Articles of Association without the approval of the Bank; provided, however, that such approval shall not be required for any amendment to increase the authorized capital of the Borrower or to create new classes of shares.

Section 6.08. Except as the Bank shall otherwise agree, the Borrower shall not make any loans or advances to, or any investments in, any subsidiary if at that time or as a result thereof the total of all loans, advances and investments by the Borrower to or in its subsidiaries and not repaid would exceed twenty per cent of the total of the Borrower's paid-up share capital (including premium on shares) and the reserve fund referred to in Article 128 of the Borrower's Articles of Association.

Section 6.09. The Borrower shall, on the written request of the Bank, execute and deliver in favor of trustees in Israel satisfactory to the Bank a Trust Deed in the form of the trust deeds used by the Borrower at the time of such request to secure its debentures (with the addition of language similar to that in Section 3.05 of this Agreement and with forms of Bonds substantially as provided in this Agreement and in the Loan Regulations) or in such other form as the Bank and the Borrower shall agree to constitute by way of security for the Loan and the Bonds and interest thereon and other charges in connection therewith a floating charge upon all of the Borrower's undertaking and assets (including its goodwill) ranking *pari passu* with the debentures or series of debentures of the Borrower then outstanding. The Borrower shall obtain all necessary consents for the valid execution and delivery of such Trust Deed and shall duly register, or cause to be registered, such Trust Deed together with such other documents as may be necessary or proper in order to render the same fully effective in accordance with its terms. The Borrower shall thereafter provide the Bank with an opinion satisfactory to the Bank of counsel satisfactory to the Bank showing that the foregoing re-

¹ See p. 212 of this volume.

quirements of this Section have been complied with. At the time of the registration of such Trust Deed the Bank and the Borrower shall take all action necessary to discharge the floating charge created by Section 3.01 of this Agreement. The Borrower shall comply with the requirements of this Section promptly and in any case within ninety days of receiving such written request from the Bank. All expenses of complying with this Section shall be paid by the Borrower.

Section 6.10. If a Trust Deed is delivered pursuant to Section 6.09 of this Agreement, the Borrower shall duly perform all obligations to be performed by it under the Trust Deed.

Section 6.11. If a Trust Deed is delivered pursuant to Section 6.09 of this Agreement, the Borrower shall not consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the Trust Deed which would change the terms of the Bonds or adversely affect the holders thereof or the Bank unless the Bank shall have expressed in writing its approval of such action or such consent.

Section 6.12. The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of 30 days, or (ii) if any event specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations shall occur, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 7.02. Each of the following events is specified as an event for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

- (i) any part of the principal amount of any loan made to the Borrower and having an original maturity of one year or more, shall, in accordance with the terms thereof, have become due and payable prior to the agreed maturity thereof by reason of any default specified in an agreement providing for any such loan or in any security representing such loan;
- (ii) an order is made or a resolution passed for the winding up of the Borrower;

(iii) if a Trust Deed is delivered pursuant to Section 6.09, the security constituted by the Trust Deed shall have become enforceable.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations : the Borrower shall have duly registered, or caused to be registered, the Loan Agreement together with such other documents as may be necessary or proper in order to render the floating charge provided for by Section 3.01 of this Agreement fully effective in accordance with its terms.

Section 8.02. The following is specified as an additional matter within the meaning of Section 9.02 (c) of the Loan Regulations to be included in the opinion or opinions to be furnished to the Bank : that the Borrower has satisfied the condition referred to in Section 8.01 of this Agreement.

Section 8.03. If this Loan Agreement shall not have come into force and effect by November 30, 1965, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be May 31, 1968, or such other date as shall be agreed upon between the Bank and the Borrower.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

Industrial Development Bank of Israel Limited
113, Allenby Road
P.O.B. 1462
Tel Aviv, Israel

Alternative address for cablegrams and radiograms :

Mosletaas
Tel Aviv

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By George D. WOODS
President

And the facsimile of the seal of Industrial Development Bank of Israel Limited has been hereto affixed in the presence of the undersigned, being two of the Directors of Industrial Development Bank of Israel Limited.

[SEAL] Industrial Development Bank of Israel Limited :
Yehuda GILL, Director
Samuel ROTHBERG, Director
Authorized Representatives

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
June 1, 1968	\$ 510,000	June 1, 1975	\$ 745,000
December 1, 1968	525,000	December 1, 1975	765,000
June 1, 1969	540,000	June 1, 1976	785,000
December 1, 1969	550,000	December 1, 1976	810,000
June 1, 1970	570,000	June 1, 1977	830,000
December 1, 1970	585,000	December 1, 1977	855,000
June 1, 1971	600,000	June 1, 1978	875,000
December 1, 1971	615,000	December 1, 1978	900,000
June 1, 1972	635,000	June 1, 1979	925,000
December 1, 1972	650,000	December 1, 1979	950,000
June 1, 1973	670,000	June 1, 1980	975,000
December 1, 1973	685,000	December 1, 1980	1,005,000
June 1, 1974	705,000	June 1, 1981	1,015,000
December 1, 1974	725,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity	½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than thirteen years before maturity	4½%
More than thirteen years before maturity	5½%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of Sections 2.01 and 2.02.

(b) By the deletion of sub-paragraph (b) of Section 2.05 and the substitution therefor of the following sub-paragraph :

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premium specified in the amortization schedule to the Loan Agreement, and upon not less than 45 days’ notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such payment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(c) By the addition to Section 2.05 of the following new sub-paragraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(d) By the deletion of the second sentence of Section 3.02 and the substitution therefor of the following sentence :

“Except as the Bank and the Borrower shall otherwise agree, withdrawals shall be made either in the respective currencies in which the cost of goods has been paid or is payable or in the currency in which the Loan is denominated, as the

Bank may from time to time elect; provided, however, that with respect to expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor withdrawals shall be made in such convertible currencies as the Bank shall select. ”

(e) By the addition to Section 3.07, at the end thereof, of the following sentence :

“ If a withdrawal is applied for on account of expenditures in the currency of the Guarantor, the value of the currency of the Guarantor in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank. ”

(f) By the deletion of the second sentence of Section 4.01 and the substitution therefor of the following sentence :

“ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to January 1, 1965 or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories. ”

(g) By the substitution in the second sentence of Section 4.03 of the words “ Investment Projects ” for the word “ Project ”.

(h) By the deletion in sub-paragraph (b) of Section 5.03 of the words “ from the Loan Account ”.

(i) By the deletion of Section 5.05 and the substitution therefor of the following Section :

“ SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article or any reduction of the Loan Account pursuant to Section 2.02 (d) of the Loan Agreement in respect of any part of the Loan credited to the Loan Account shall be applied *pro rata* to the several maturities of the principal amount of such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount of any such maturity so cancelled shall not exceed the amount of such maturity remaining after deducting the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity there to fore sold or agreed to be sold by the Bank. ”

(j) By the addition of the following sentence at the beginning of Section 6.09 :

“ Except as the Bank and the Borrower shall otherwise agree, Bonds shall be dated as hereinafter in this Section provided. ”

(k) By the deletion of the first sentence of Section 6.12 (a) and the substitution therefor of the following sentence :

“ The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative or representatives designated pursuant to the Loan Agreement for the purposes of this Section. ”

(l) By the deletion of Section 6.18.

(*m*) By the deletion of sub-paragraph (*j*) of Section 7.04 and the substitution therefor of the following sub-paragraph :

“ (*j*) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to Article III of the Loan Agreement, the Trust Deed or the Bonds, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim. ”

(*n*) By the deletion of Section 9.04.

(*o*) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“ 4. The term ‘ Loan ’ means the loan provided for in the Loan Agreement, and the term ‘ part of the Loan ’ means the portion of the Loan credited to the Loan Account in respect of an Investment Project. ”

(*p*) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“ 10. The term ‘ Loan Account ’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement. ”

(*q*) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“ 11. The term ‘ Project ’ means the project for which the Loan is granted, as described in Section 4.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower. ”

(*r*) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“ 12. The term ‘ goods ’ means equipment, supplies and services required for the Investment Projects financed out of the proceeds of the Loan. ”