

No. 8942

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

**Guarantee Agreement—*Second Industrial Finance Project*  
(with annexed Loan Regulations No. 4, as amended,  
and Loan Agreement between the Bank and the Industrial  
Development Bank of Israel Limited). Signed at Washing-  
ton, on 15 November 1967**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
29 January 1968.*

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

**Contrat de garantie — *Deuxième projet de financement  
industriel* (avec, en annexe, le Règlement n° 4 sur les  
emprunts, tel qu'il a été modifié, et le Contrat d'emprunt  
entre la Banque et l'Industrial Development Bank of  
Israel Limited). Signé à Washington, le 15 novembre  
1967**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 29 janvier 1968.*

No. 8942. GUARANTEE AGREEMENT<sup>1</sup> (*SECOND INDUSTRIAL FINANCE PROJECT*) BETWEEN THE STATE OF ISRAEL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 15 NOVEMBER 1967

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AGREEMENT, dated November 15, 1967, 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,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), 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 as amended February 9, 1967,<sup>3</sup> subject, however, to the further 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.

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<sup>1</sup> Came into force on 26 December 1967, upon notification by the Bank to the Government of Israel.

<sup>2</sup> See p. 138 of this volume.

<sup>3</sup> See p. 136 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 an 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 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 of 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 Avraham HARMAN  
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,  
AS AMENDED 9 FEBRUARY 1967

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

[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT  
(SECOND INDUSTRIAL FINANCE PROJECT)

AGREEMENT, dated November 15, 1967, 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 State of Israel (hereinafter called 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 as amended February 9, 1967,<sup>1</sup> subject, however, to the further 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 have the following meanings unless the context otherwise requires :

- (a) the term "Investment Enterprise" means an enterprise to which the Borrower shall propose to make or shall have made a sub-loan, or in which it shall propose to make or shall have made an investment, out of the proceeds of the Loan;
- (b) the term "Investment Project" means 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 this Agreement;
- (c) the term "sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project;
- (d) the term "investment" means an investment, other than a sub-loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project;
- (e) the term "Trust Deed" means 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;
- (f) the term "subsidiary" means a company which is a subsidiary of the Borrower within the meaning of the Companies Ordinance of the Guarantor or any amendment thereof;
- (g) the term "First Loan Agreement" means the loan agreement (*Industrial Finance Project*) between the Bank and the Borrower, dated September 16, 1965;<sup>2</sup>

<sup>1</sup> See p. 136 of this volume.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 566, p. 211.

(h) the term "First Loan" means the loan provided for in the First Loan Agreement and includes any bonds issued thereunder.

Words importing the single 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 Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

*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) Upon approval by the Bank of any Investment Project submitted to it by the Borrower for approval under this Loan Agreement, there shall be credited to the Loan Account, in respect of the foreign exchange cost of such Investment Project, such part of the Loan as the Bank shall approve.

(b) There shall also be credited to the Loan Account on the date of dispatch of notice of such credit by the Bank to the Borrower, in respect of any Investment Project for which the Borrower has made or proposes to make a sub-loan and for which no application for approval has been submitted to the Bank under paragraph (a) of this Section, such portion of the Loan not exceeding the estimated foreign exchange cost of such Investment Project as the Borrower shall from time to time request; provided, however, that (i) such portion to be so credited in respect of any Investment Project shall not exceed such limit as shall from time to time be agreed by the Bank, and (ii) the total estimated cost to be financed by the Borrower of such Investment Project shall not exceed such other limit as shall from time to time be agreed by the Bank; and further provided that, except as the Bank and the Borrower shall otherwise agree, submission for credit of any Investment Project for which the Borrower proposes to make a sub-loan guaranteed in whole or in part by or on behalf of the Guarantor shall be made under paragraph (a) of this Section.

(c) The aggregate amount of the Loan credited to the Loan Account pursuant to paragraph (b) of this Section shall not exceed such limit as shall be from time to time agreed by 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, this Loan Agreement, and shall be applied exclusively for sub-loans or investments for the Investment Project in respect of which such amounts were credited to the Loan Account.

*Section 2.04.* Three-eighths of one per cent ( $\frac{3}{8}$  of 1%) per annum is specified for the purpose of Section 2.02 of the Loan Regulations as the commitment charge payable on the unwithdrawn amount of the Loan.

*Section 2.05.* The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate generally applicable to new Bank loans of the same maturity to similar borrowers. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

*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 March 1 and September 1 in each year.

*Section 2.08.* (a) The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time in order (i) to conform in relevant part substantially to the aggregate of the amortization schedules agreed upon for the sub-loans and investments in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 of this Agreement, and (ii) to take into account any cancellation pursuant to Article V of the Loan Regulations or Section 2.10 of this Agreement and any reductions under Section 2.02 (d) of this Agreement, except that payments due hereunder shall be made on March 1 and September 1 in each year. Such amendments of said Schedule 1 shall include amendments of the premiums on prepayments and redemption if required.

(b) The amortization schedules applicable to the Investment Projects shall provide for appropriate period 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.

*Section 2.09.* Unless the Bank and the Borrower shall otherwise agree :

(a) (i) If a sub-loan or any portion thereof shall be repaid to the Borrower in advance of maturity or (ii) if a sub-loan or an investment or any portion thereof shall be sold, transferred, assigned or otherwise disposed of, the Borrower shall promptly notify the Bank and shall pay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement or any amendment thereof pursuant to Section 2.08 of this Agreement, an amount of the Loan equal to : (i) in the case of a sub-loan, the amount withdrawn from the Loan Account in respect of such sub-loan, or



the said portion of such sub-loan; or (ii) in the case of an investment, the excess, if any, of the amount withdrawn from the Loan Account in respect of such investment, or the said portion of such investment, over the amount of the Loan theretofore repaid to the Bank in respect of such investment; provided, however, that, in the case of the transfer, assignment or disposal of a sub-loan or an investment, the Borrower shall be required to make to the Bank any such payments only to the extent that monies coming to the Borrower by reason of any such transfer, assignment or disposal shall have been received by or on behalf of the Borrower. The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply.

(b) Any amount repaid by the Borrower under this Section shall be applied by the Bank as follows : (i) in the case of a sub-loan, to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

*Section 2.10.* The amount of the Loan not credited to the Loan Account by the date specified in, or agreed upon pursuant to, paragraph (c) of Section 4.03 of this Agreement may at any time thereafter be cancelled by the Bank by notice to the Borrower.

### 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 shall deem proper in order to enforce the said security and to collect and recover the amounts due under the Loan Agreement and 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 shall think 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 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, the Bonds, the First Loan Agreement and the bonds issued thereunder;
- (iv) Fourthly, but subject as aforesaid, in or towards payment of the principal monies payable under the Loan Agreement, the Bonds, the First Loan Agreement and the bonds issued thereunder; 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) additional loans to the Borrower; 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, the Bonds, the First Loan, the bonds representing the First Loan and any loans to the Borrower so secured) 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 loan or 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 loans 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 foreign exchange cost of goods required to carry out Investment Projects in respect of which amounts have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement. 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, the proposed terms and conditions of the sub-loan or investment for such Investment Project, including the amortization schedule for such sub-loan or a proposed amortization schedule applicable to such investment, and such other information as the Bank shall reasonably request.

(b) When submitting a request to the Bank for credit to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement, the Borrower shall furnish to the Bank a brief description, in form satisfactory to the Bank, of the Investment Project in respect of which such request is made and of the terms and conditions of the Borrower's sub-loan for such Investment Project, including the amortization schedule therefor.

(c) Applications for approval of Investment Projects pursuant to the provisions of Section 2.02 (a) of this Agreement and requests for credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted before June 30, 1969, or such later date as may be agreed between the Bank and the Borrower.

#### *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 form 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 may from time to time make such arrangements as they shall deem necessary in respect of 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 the Loan Agreement in respect of the issue, authentication and delivery of Bonds.

#### *Article VI*

##### PARTICULAR COVENANTS

*Section 6.01.* (a) 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.

(b) The Borrower shall cause each of its subsidiaries to conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management.

*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 sub-loan made by it to an Investment Enterprise for an Investment Project 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 administration, 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, any subsidiary, 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 the financial statements (balance sheet and related statement of earnings and expenses) of the Borrower and any subsidiary 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 cooperate 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.* Without prejudice to such exemption as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement<sup>1</sup> 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 of 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 seven and one-half 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 acceptable 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, the Bonds, the First Loan and the bonds representing the First Loan 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

<sup>1</sup> See p. 131 of this volume.

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 acceptable to the Bank showing that the foregoing requirements 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 charges created by Section 3.01 of this Agreement and Section 3.01 of the First Loan. 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.

## Article VII

### REMEDIES OF THE BANK

*Section 7.01.* (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in Section 7.02 of this Agreement shall occur, or (v) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty 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.* Pursuant to paragraph (l) of Section 5.02 of the Loan Regulations, each of the following events is specified as an event for the purposes of said Section :

- (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.* The date of December 31, 1967 is specified for the purposes of Section 9.04 of the Loan Regulations.

### *Article IX*

#### MISCELLANEOUS

*Section 9.01.* The Closing Date shall be July 31, 1970 or such other date or dates as shall be agreed upon between the Bank and the Borrower as the Closing Date.

*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  
9, Ahad Haam Street  
Tel Aviv, Israel

Alternative address for cablegrams and radiograms :

Moslelaas  
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* J. Burke KNAPP  
Vice 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 :

*By* Samuel ROTHBERG  
Director

*By* A. DICKENSTEIN  
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>
September 1, 1970 . . . . .	\$30,000	March 1, 1977 . . . . .	\$720,000
March 1, 1971 . . . . .	150,000	September 1, 1977 . . . . .	750,000
September 1, 1971 . . . . .	270,000	March 1, 1978 . . . . .	780,000
March 1, 1972 . . . . .	390,000	September 1, 1978 . . . . .	790,000
September 1, 1972 . . . . .	510,000	March 1, 1979 . . . . .	930,000
March 1, 1973 . . . . .	570,000	September 1, 1979 . . . . .	920,000
September 1, 1973 . . . . .	600,000	March 1, 1980 . . . . .	850,000
March 1, 1974 . . . . .	610,000	September 1, 1980 . . . . .	800,000
September 1, 1974 . . . . .	630,000	March 1, 1981 . . . . .	660,000
March 1, 1975 . . . . .	650,000	September 1, 1981 . . . . .	590,000
September 1, 1975 . . . . .	660,000	March 1, 1982 . . . . .	510,000
March 1, 1976 . . . . .	670,000	September 1, 1982 . . . . .	260,000
September 1, 1976 . . . . .	700,000		

\* 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 of 1%
More than three years but not more than six years before maturity . . . . .	2 ¼%
More than six years but not more than eleven years before maturity . . . . .	3 ½%
More than eleven years but not more than thirteen years before maturity . . . . .	5%
More than thirteen years before maturity . . . . .	6%

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 as amended February 9, 1967, shall be further modified as follows :

- (a) By the deletion of Sections 2.01 and 2.03.
- (b) The first sentence of Section 2.05 (b) shall not apply to any repayment by the Borrower in accordance with Section 2.09 (a) of the Loan Agreement.

(c) By the addition to Section 2.05 of the following new paragraph as 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 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 in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor 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.”

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

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

(g) 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 : (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and 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 principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom 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 theretofore sold or agreed to be sold by the Bank; and (ii) any cancellation pursuant to this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity.”

(h) By the deletion of Section 6.04 and the substitution therefor of the following Section :

“SECTION 6.04. *Interest on Bonds; Service Charge.* The Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion of the Loan represented by such Bonds. If the rate of interest on any Bond shall be less than the rate of interest on the portion of the Loan

represented by such Bonds, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such portion of the Loan at a rate equal to the difference between the interest rate on such portion of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.”

(i) By the deletion of paragraph (a) of Section 6.11 and the substitution thereof of the following :

“(a) Bonds representing a portion of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such portion of the Loan.”

(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 thereof 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 paragraph (b) of Section 6.16 and the substitution thereof of the following paragraph :

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such portion of the Loan represented by such Bond.”

(m) By the deletion of Section 6.18.

(n) By the deletion of sub-paragraph (j) of Section 7.04 and the substitution thereof 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.”

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

“ The term ‘ Loan ’ means the Loan provided for in the Loan Agreement, and the term ‘ part of the Loan ’ means the amount 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 :

“ 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 :

“ The term ‘ goods ’ means equipment, supplies and services required by Investment Enterprises to carry out Investment Projects financed out of the proceeds of the Loan ”.

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