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## **MIRLAND DEVELOPMENT CORPORATION PLC**

*(incorporated and registered in Cyprus with company registration number HE153919)*

### **Settlement Plan with the Bondholders**

**and**

### **Notice of Bondholders' Meeting**

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Notice of a Bondholders' Meeting of the Company to be held at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 5 September at 12 noon (Cypriot time) is set out at the end of this document. A Form of Proxy for use at the Bondholders' Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions detailed on the Form of Proxy and also as detailed on page 16 by post to Asoted Secretarial Limited Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus or by email to Suzanne Kalogreades at [suzanne@asoted.com](mailto:suzanne@asoted.com) and to Yevgeny Steklov at [Yevgeny@mirland-development.com](mailto:Yevgeny@mirland-development.com) together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Bondholders from attending and voting in person at the Bondholders Meeting should they so wish.

If you have any questions relating to this document or the completion and return of your Form of Proxy please call Asoted Secretarial Limited on +357 25 850 025 between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). Please note that calls to these numbers may be monitored or recorded, and no advice can be given on the merits of the issues, which are on the agenda of the Bondholders Meeting, inter alia, the Settlement Plan nor can any financial or taxation advice be given.

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## **DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS**

Directors	Saydam Salaheddin ( <i>Non-executive Director and Chairman</i> ) Elias Eliades ( <i>Non-executive Director</i> ) Alexander Regenbogen ( <i>Non-executive Director</i> ) Constantinos Pandelides ( <i>Non-executive Director</i> ) Eyal Fishman ( <i>Non-executive Director</i> ) Yevgeny Steklov ( <i>Chief Financial Officer</i> ) Roman Rozental ( <i>Chief Executive Officer</i> )
Company Secretary	Asoted Secretarial Limited Office 1002, 10 <sup>th</sup> floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus
Registered Office	Nikodimou Mylona 33 Marina Court 8047 Paphos Cyprus
Solicitors to the Company as to Cypriot law	Chrysses Demetriades & Co LLC 13 Karaiskakis Street Limassol Cyprus 3032
Solicitors to the Company as to Israeli law	Steinmetz, Haring Gurman & Co 23 Begin Road Tel Aviv Israel 6618356
Registrars	Cymain Registrars Ltd 26 Vyronos Avenue 3 <sup>rd</sup> Floor 1096 Nicosia Cyprus

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Latest time for lodging Forms of Proxy for the Meeting of Bondholders	9 a.m. on 1 September 2016
Voting Record Time	6 p.m. on 1 September 2016
General Meeting	11 a.m. (Cypriot time) on 5 September 2016
Expected date for announcement of results of the General Meeting	5 September 2016
Meeting of Bondholders	5 September 2016
Expected date for announcement of results of the Meeting of Bondholders	5 September 2016
Expected date of approval of the Settlement Plan by the Cypriot court	30 September 2016
Expected date for admission of the Enlarged Share Capital to trading on TASE and commencement of dealings in the Company's shares on TASE	Late October 2016
Effective date of the Settlement Plan	Late October 2016

### **Notes:**

1. References to times in this document and any accompanying document are to London, United Kingdom time unless otherwise stated.
2. The times and dates set out in the timetable above and mentioned throughout this document are indicative and may change.
3. The timetable above assumes that the Resolutions are passed at the EGM without adjournment.

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"AIM"	the AIM market operated by the London Stock Exchange
"Articles"	the articles of association of the Company as in force from time to time
"Bondholders"	the registered holders of Company's Debentures (Series A-F)
"Bondholders' Meeting"	the meeting of the Bondholders of the Company to be held at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 1 September 2016 at 12 noon (Cypriot time)
"Capital Raising"	the Subscription and the Open Offer
"Commitment Amount"	up to US\$14.1 million (including US\$6.1 million which has previously been provided to the Company) to be provided by the Controlling Shareholders to the Company in the form of an equity subscription in the Company
"Company"	MirLand Development Corporation PLC
"Controlling Shareholders"	each of Jerusalem Economy Ltd, Industrial Buildings Corporation Ltd and Darban Investments Ltd
"Court"	District Court of Paphos
"Debentures A"	Debentures (Series A) of the Company, in an aggregate value of 13,086,771 NIS par value, registered for trade on the Stock Exchange (Security No. – 1108349)
"Debentures B"	Debentures (Series B) of the Company (including Debentures SA 6/15), in an aggregate value of 68,225,213 NIS par value, registered for trade on the Stock Exchange (Security No. – 1108356)
"Debentures C"	Debentures (Series C) of the Company, in an aggregate value of 119,223,640 NIS par value, registered for trade on the Stock Exchange (Security No. – 1120286)
"Debentures D"	Debentures (Series D) of the Company, in an aggregate value of 204,067,125 NIS par value, registered for trade on the Stock Exchange (Security No. – 1121342)
"Debentures E"	Debentures (Series E) of the Company, in an aggregate value of 382,400,000 NIS par value, registered for trade on the Stock Exchange (Security No. – 1129394)

"Debentures F"	Debentures (Series F) of the Company, in an aggregate value of 144,389,000 NIS par value, registered for trade on the Stock Exchange (Security No. – 1133461)
"Debentures SA 6/15"	Debentures (Series B) of the Company, in an aggregate value of 34,112,197 NIS par value, for payment of the principal of Debentures (Series B) that was prescribed for June 30, 2015 (whose prescribed date thereof was June 18, 2015 and which has yet to be paid. The Security No. at the Stock Exchange – 1135946)
"Debentures (Series A-F)"	Debentures A, Debentures B, Debentures C, Debentures D, Debentures E, Debentures F, Debentures SA 6/15 and Interest Entitled
"Directors"	the directors of the Company as at the date of this document
"Enlarged Share Capital"	the Existing Ordinary Shares, the Equity for Debt Shares, the Subscription Shares and the Open Offer Shares
"Equity for Debt Shares"	the 1,149,012,579 new Ordinary Shares to be issued to the Bondholders in accordance with the Settlement Plan
"Existing Options"	the 449,198 options granted to Roman Rozental and the 258,750 options granted to Yevgeny Steklov
"Existing Ordinary Shares" or "Existing Share Capital"	the 103,558,005 Ordinary Shares in issue on the date of this document
"Explanatory Statement"	the explanatory statement and its appendix set out in Part 3 of this document
"Form of Proxy"	the form of proxy for use in connection with the General Meeting and the Bondholders' Meeting, accompanying this document
"General Meeting"	the general meeting of the Shareholders of the Company to be held at Office 606, 6 <sup>th</sup> floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 5 September 2016 at 11 a.m. (Cypriot time)
"Group"	the Company, its subsidiaries and its subsidiary undertakings
"Independent Directors"	each of Saydam Salaheddin, Elias Eliades, Alexander Regenbogen and Constantinos Pandelides
"Interest Entitled"	those entitled to the payment of interest to the holders of Debentures B, in an aggregate amount of NIS 2,110,266, that was prescribed for June 30, 2015 (whose prescribed date thereof was June 18, 2015) and which has yet to be paid
"ISA"	Israel Securities Authority

"Israeli Companies Law"	Israeli Companies Law, 5759-1999
"Law"	Cyprus Companies Law Cap 113 (as amended)
"London Stock Exchange"	London Stock Exchange plc
"Management Options"	option over 141,165,971 new Ordinary Shares be granted to the Managers pursuant to the Settlement Plan
"Managers"	Yevgeny Steklov, Roman Rozental, Michael Itskovich, Timor Segal, Ivan Fateev and any other eligible manager designated by the Board
"Notice of Bondholders' Meeting"	the notice convening the Bondholders' Meeting, set out in Part 4 of this document
"Open Offer"	the proposed conditional invitation to be made to Shareholders to apply to subscribe for new Ordinary Shares
"Open Offer Shares"	new Ordinary Shares to be issued in accordance with the terms of the Open Offer
"Ordinary Shares"	ordinary shares of \$0.01 nominal value each in the capital of the Company
"Registrars"	Cymain Registrars Ltd of 26 Vyronos Avenue, 3 <sup>rd</sup> Floor, 1096 Nicosia, Cyprus
"Resolution"	the resolution to be proposed at the Bondholders' Meeting, as set out in the Notice of Bondholders' Meeting that appears at the end of this document
"Rouble"	Russian Rouble, the legal currency of the Russian Federation
"Settlement"	the settlement with the Bondholders as specified in the Settlement Plan
"Settlement Plan"	the settlement plan and its appendices proposed to be made between the Company and the Bondholders set out in Part 2 of this document
"Shareholders"	holders of Ordinary Shares from time to time
"Subscription"	the proposed conditional subscription of the new Ordinary Shares by the Controlling Shareholders pursuant to the Subscription Agreement
"Subscription Agreement"	the agreement to be entered into between the Company and the Controlling Shareholders relating to the Subscription

"Subscription and Open Offer Circular"	the circular to Shareholders setting out details of the Subscription and Open Offer
"Subscription Shares"	new Ordinary Shares to be issued in accordance with the terms of the Subscription
"TASE"	the Tel Aviv Stock Exchange
"TASE Admission"	admission of the Enlarged Share Capital, the Subscription Shares and the Open Offer Shares to trading on TASE
"Trustees"	the trustees for Debentures (Series A-F)
"UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
"US\$"	means US Dollars, the lawful currency of the United States
"£" and "p"	means respectively pounds and pence sterling, the lawful currency of the UK



**Part 1**  
**Letter from the Chairman of the Company**

*(incorporated and registered in Cyprus with company registration number HE153919)*

*Directors:*

Saydam Salaheddin *(Non-executive Director and Chairman)*  
Elias Eliades *(Non-executive Director)*  
Alexander Regenbogen *(Non-executive Director)*  
Constantinos Pandelides *(Non-executive Director)*  
Eyal Fishman *(Non-executive Director)*  
Yevgeny Steklov *(Chief Financial Officer)*  
Roman Rozental *(Chief Executive Officer)*

*Registered Office:*

Nikodimou Mylona  
33 Marina Court  
8047 Paphos  
Cyprus

19 August 2016

*To: Bondholders*

Dear Bondholder

**Settlement Plan and Notice of Bondholders' Meeting**

**1 INTRODUCTION**

*Settlement Plan*

On 4 July 2016, the Court granted its approval to convene meetings of the Bondholders and Shareholders in each case to consider and, if thought fit, to approve the Settlement Plan.

On 19 August 2016, the Company announced that the Independent Directors have recommended that Shareholders approve the entry into of the Settlement Plan.

As previously announced, the Settlement Plan is proposed to be entered into by the Company as a result of the downturn in the Russian economy and the significant deterioration of the Rouble against the US\$ which has led to the Company experiencing cash flow difficulties and a reduction in its revenues and profits.

Pursuant to the terms of the Settlement Plan, the debt of approximately US\$219 million owed to the Bondholders will be converted into the following:

- (a) the Equity for Debt Shares to be issued to the Bondholders (the Equity for Debt Shares will upon issue represent approximately 91.7% of the Existing Share Capital); and
- (b) a new debenture series with a principal amount of US\$45 million to be issued to the Bondholders.

Upon completion of the Settlement, the Company will issue to the Managers the Management Options, representing, if exercised, up to 9% of the issued share capital of the Company on a fully diluted basis, i.e. immediately after their exercise and after the issue of the Equity for Debt Shares, the Subscription Shares and the Open Offer Shares.

Please refer to the Explanatory Statement in relation to the Settlement Plan set out in Part 3 of this document for more detail on the Settlement Plan, including, the background, reasons and conditions.

The terms of the Settlement Plan are set out in full in Part 2 of this document.

### Capital Raising

In order for the Settlement Plan to be completed in accordance with its terms, the Company intends to proceed with the Capital Raising to raise the Commitment Amount.

The Capital Raising will comprise the Subscription and the Open Offer to raise up to US\$14.1 million before expenses.

The Capital Raising will be conditional on Shareholders' approval to, amongst other things, issue the Subscription Shares and the Open Offer Shares and disapply pre-emption rights in relation to the issue of the Subscription Shares.

It is proposed that the Open Offer is made to all Shareholders to provide them with the opportunity to subscribe for new Ordinary Shares, pro-rata to their holdings of the Existing Ordinary Shares (excluding fractional entitlements) on the same terms.

The Controlling Shareholders have irrevocably undertaken to the Company to provide the Commitment Amount, thereby ensuring that, if the Capital Raising proceeds, they will subscribe for all new Ordinary Shares offered under the Open Offer (subject to clawback to satisfy valid applications by Shareholders (other than the Controlling Shareholders under the Open Offer)). Save as described above in relation to the subscription by the Controlling Shareholders for all the new Ordinary Shares, the Open Offer will not be underwritten.

The Subscription and Open Offer Circular will not be posted to the Shareholders if the Settlement is not approved by the Shareholders and Bondholders and, therefore, the Capital Raising will not proceed.

### TASE Admission and cancellation of trading on AIM

In connection with the Settlement, the Company intends to apply for the admission of the Enlarged Share Capital to trading on TASE.

In the event that TASE Admission does not occur, the Settlement will not complete.

As part of the TASE Admission, it is also necessary to seek Shareholder authority to apply for the cancellation of trading on AIM of the Company's issued share capital. The Subscription and Open Offer Circular will include the necessary Shareholder resolution in relation to cancellation of trading on AIM. TASE Admission and cancellation of trading on AIM of the Company's issued share capital will not proceed if the Settlement is not approved by the Shareholders and the Bondholders and the Subscription and Open Offer Circular will not be posted.

### Purpose of this document

The purpose of this document is to explain the background to the Settlement and to set out the reasons why the Independent Directors believe that the Settlement is in the best interests of the Company and its Bondholders. The Settlement (if completed) will help the Company to continue developing its projects, managing its assets and providing financial support to its subsidiaries.

### General meeting

The General Meeting of the Company is to be held at 11 a.m. (Cypriot time) at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 5 September 2016.

### Bondholders' meeting

The Bondholders' Meeting of the Company is to be held at 12 noon (Cypriot time) at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 5 September 2016. The Notice convening the Bondholders' Meeting is set out at the end of this document and a Form of Proxy is also enclosed for you to complete. This letter includes an explanation of the relevant Resolution.

## **BACKGROUND TO AND REASONS FOR THE SETTLEMENT**

In the last two years there has been a significant deterioration of the economic situation in Russia due to various macroeconomic factors which resulted in, amongst other things, a significant depreciation of the Rouble exchange rate against the US\$. The exchange rate at the beginning of the crises was approximately 33 Roubles to the US\$; in December 2014 the Rouble exchange rate stood at approximately 56 Roubles to the US\$. During 2015, the depreciation of the Rouble exchange rate against the US\$ continued and in December 2015 the Rouble exchange rate stood at approximately 73 Roubles to the US\$. During 2016, the Rouble exchange rate dropped to a minimum of approximately 82.5 Roubles to the US\$, and as at 18 August 2016, being the latest practicable date prior to circulation of this document, the Russian currency is trading at approximately 64 Roubles to the US\$. In addition, the base interest rate in Russia rose sharply from 8% in July 2014 to 17% by the end of 2014. During 2015, the central bank of Russia lowered the interest rate gradually to 11%. As at 18 August 2016, being the latest practicable date prior to circulation of this document the interest rate stood at 10.5%.

The vast majority of the income of the Company's subsidiaries is generated from (i) the leasing of commercial centres and office complex; and (ii) the sale of the residential property, with such income, in each case, denominated in Roubles and linked to the US\$ on the date of payment. The Group's debt is denominated in the US\$, while income of the tenants and the buyers of the residential property is denominated in Rouble, therefore, the extreme currency devaluation has affected the Company's financial results and liquidity.

## **THE SETTLEMENT (IF COMPLETED) WILL ASSIST THE COMPANY TO CONTINUE DEVELOPING ITS PROJECTS, MANAGING ITS ASSETS AND PROVIDING FINANCIAL SUPPORT TO ITS SUBSIDIARIES TO ALLOW THE COMPANY TO CONTINUE ITS OPERATIONS AS A GOING CONCERN.CONDITIONS TO THE SETTLEMENT PLAN**

The Settlement Plan is conditional on, amongst other things:

- (a) the approval by the Shareholders of the Settlement Plan and the Resolutions which will be sought at the General Meeting;
- (b) the approval of the Settlement Plan by the Bondholders;
- (c) the approval of the Settlement Plan by the Court;
- (d) the approval of the issue of the securities under the Settlement Plan by the ISA;
- (e) the entry into and completion of a settlement agreement between the Company and Sberbank;
- (f) the increase in the Company's authorised share capital;
- (g) the receipt of the signed undertaking from the Controlling Shareholders in respect of the Commitment Amount (as at the date of the document this condition has been satisfied); and

- (h) the receipt of TASE approval for admission of the Enlarged Share Capital, the Remaining Debt (Series G Bonds), and the new Ordinary Shares to be issued upon exercise of the Management Options to trading on TASE. ; and

- (i) TASE Admission

In addition, the Settlement Plan is conditional upon the approval by Shareholders of the necessary resolutions to complete the Capital Raising, to be set out in the Subscription and Open Offer Circular.

If any of the above conditions are not satisfied in full, the Settlement Plan will not become effective.

#### 4 **DIRECTORS' AND OTHER INTERESTS**

- 4.1 As at 18 August 2016 (being the latest practicable date prior to the date of this document) and as expected to be held following the Settlement Plan becoming effective, the interests (all of which are beneficial) of the Directors and their immediate families in the Company's issued share capital are or are expected to be as follows:

<i>Director</i>	<i>Number of Existing Options</i>	<i>Percentage of issued share capital</i>
Roman Rozental	449,198	0.43%
Yevgeny Steklov	258,750	0.25%

In connection with the Settlement Plan, upon its completion, the Managers will be issued the Management Options, which will represent, if exercised, up to 9% of the issued capital of the Company. As at the date of this document, the Company has not completed allocation of the Management Options and will make announcements once such allocations are made.

- 4.2 As at 18 August 2016 (being the latest practicable date prior to the date of this document) and as expected to be held following the Settlement Plan becoming effective, the Company is aware of the following existing Shareholders (other than any Director) who by virtue of the notifications made to it pursuant to the 2006 Act and/or the Disclosure Guidance and Transparency Rules, are or will be immediately following the Settlement Plan becoming effective be interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital:

<i>Name</i>	<i>Before</i>		<i>Following the issue of the Equity for Debt Shares</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>
Industrial Buildings Corporation Ltd	41,660,688	40.23%	111,968,080	7.84%
Jerusalem Economy Ltd	31,551,701	30.47%	84,798,969	5.94%

Darban Investments Ltd	15,746,405	15.21%	42,320,346	2.96%
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- 4.3 Neither the Bondholders nor the Directors have personal interests in the Settlement Plan, except for (i) the issue of the Management Options to the Managers as detailed in paragraph 4.1 above and section 7 of the Settlement Plan, (ii) the issue of the shares and new bonds series to the Controlling Shareholders (who are also the Bondholders) as detailed in paragraph 4.2 above and section 5 of the Settlement Plan; and (iii) the mutual exemption from claims as detailed in section 13 of the Settlement Plan.

## 5 **DILUTION OF THE SHARE CAPITAL BY ISSUE OF THE EQUITY FOR DEBT SHARES**

Upon the issue of the Equity for Debt Shares the proportionate ownership and voting interests in the Ordinary Shares of holders of the Existing Ordinary Shares will be reduced accordingly, they will suffer a dilution of approximately 91.7% to their interest of the Company.

Shareholders who do not take up their entitlement under the Subscription and Open Offer, when made, will suffer further dilution.

Shareholders who do not take up their entitlement under the Subscription and Open Offer, when made, will suffer further dilution.

Upon exercise of the Management Options (subject to meeting performance criteria), holders of the Existing Ordinary Shares will be further diluted. Further details will be included on the Subscription and Open Offer Circular.

## 6 **TRUST DEED SERIES G**

Bond Trust Deed series G ("**Trust Deed**"), shall replace the Trust Deeds of series A through F of the Company including their additions and attachments, as published by the Company prior to the date when the meetings will be convened; and the appointment of and instructions to Mishmeret-Trust Services Company Ltd. to execute the Trust Deeds.

## 7 **RELEASE FROM LIABILITY**

All Exempted Parties (as defined in the Settlement Plan) which include the current Debenture Holders and/or the Trustees and/or the shareholders of the Company and/or the Company and/or the officers of the Company shall be released, and exempted from any contention, requirement or claim, in connection with any cause of action, during the period, which preceded the Settlement Execution Date in accordance with section 13.5 of the Settlement.

## 8 **ESCROW FUNDS**

Approximately US\$ 11 million ("Escrow Funds") deposited in escrow with "YAD-AM TRUSTEES (2011) LTD", the escrow company associated with the law firm of Steinmetz, Haring, Gurman & Co., who are the lawyers of the Company, in accordance with the letter of instruction signed by the Company on January 14, 2015, shall be used as follows:

From the date of completion of the condition precedent specified in section 10.9 of the Settlement (and before fulfilment of all other conditions precedent), as long as

the Company will be in need of funding in order to finance its operations, at its sole discretion (the amount required by the Company shall be defined as "**Funding Amount**"), as long as the Company will be interested in the use of the Escrow Funds, it may do so, whereas any such amount will be simultaneously released from the Escrow Funds (the "**Released Amount**"), the Controlling Shareholders of the Company (Jerusalem Economy Company Ltd., Industrial Buildings Ltd. and Darban Investments Ltd.) will transfer to the Company an amount equal to 19.5% of the financing, whereas the Released Amount will constitute 80.5% of the financing, in accordance with article 12.2 of the Settlement.

It should be noted that the Company's right to withdraw funds from escrow, as stated in this paragraph above, exists, notwithstanding the consummation of all conditions precedents for the purpose of completion of the proposed Settlement and even if the proposed Settlement will not be completed for whatever reason, the Company will not be required to return the Released Amount, as referred to.

## 9 **CURRENT TRADING AND PROSPECTS**

The Russian business environment has been adversely affected by a well-publicised series of events that were both unforeseeable and beyond the Company's control. The combined effects of a major devaluation in the Rouble, economic sanctions, further reductions to oil prices, low growth and high inflation have damaged both the real estate sector and the business environment as a whole. Given this exceptional combination of factors the Company's core business has proved remarkably resilient and the Company's results at the operating level remain encouraging. Unfortunately, however, the economic events referred to above have had a major adverse impact on the Group's portfolio valuations and profitability.

The challenging economic environment has had a substantial impact on the independent valuation of the Company's real estate portfolio. In accordance with the 31 March 2016 valuation, the Company's residential projects, investment properties and investment properties under construction were valued at US\$426.2 million, as compared to US\$981.2 million as of September 2014 (the latest valuation prior to the beginning of the economic crisis). The value of the portfolio has therefore fallen by approximately 57% during this.

## 10 **NOTE**

Further to the AIM Rules and the Company's Articles of Association, a person must notify the Company of the percentage of its voting rights he holds as a shareholder if the percentage of those voting rights reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100%.

11 **BONDHOLDERS' MEETING**

A notice convening a Bondholders' Meeting of the Company, to be held at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus at 12 noon (Cypriot time) on 5 September 2016, is set out at the end of this document. At the Bondholders' Meeting, the following Resolution will be proposed:

Resolution

Resolution 1 will be proposed as a resolution to approve the terms of the Settlement.

12 **ACTION TO BE TAKEN BY BONDHOLDERS**

12.1 **In respect of the Bondholders' Meeting**

You will find enclosed with this document a Form of Proxy for use at the Bondholders' Meeting or at any adjournment thereof. Whether or not you propose to attend the meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it as soon as possible, but in any event Forms of Proxy should be received by post to Asoted Secretarial Limited Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus or by email to Suzanne Kalogreades at [suzanne@asoted.com](mailto:suzanne@asoted.com) and to Yevgeny Steklov at [Yevgeny@mirland-development.com](mailto:Yevgeny@mirland-development.com), no later than 9 a.m. 1 September 2016.

Any Bondholder in respect of all or any of the bonds they hold may authorise one or more persons to participate and vote at the Bondholder's meeting and may also vote differently in respect of some or all of the bonds they hold.

13 **TAXATION**

If you are in any doubt as to your tax position you should consult your own independent tax adviser without delay. Please note the Israeli Tax Authorities have issued a pre-ruling as to the effect of the Settlement Plan on the bondholders.

14 **IMPORTANCE OF VOTE**

**AS STATED ABOVE, IT IS CRITICAL THAT BONDHOLDERS VOTE IN FAVOUR OF THE RESOLUTIONS SO THAT, ASSUMING THE OTHER CONDITIONS ARE SATISFIED, THE SETTLEMENT CAN PROCEED.**

Yours sincerely

Saydam Salaheddin

Non-Executive Chairman

19 August 2016



**Part 2**  
**Settlement Plan**

## **Settlement Plan**

In the matter of:	Mirland Development Corporation Plc. (the "Company"); and
In the matter of:	Holders of the Company's Debentures (Series A-F) (the "Debenture Holders"); and
In the matter of:	Hermetic Trust (1975) Ltd. ("Hermetic" or the "Trustee for Debentures A-B"); and
In the matter of:	Reznik Paz Nevo Trusteeship Ltd. ("Reznik" or the "Trustee for Debentures C-D"); and
In the matter of:	Mishmeret - Trusts Services Company Ltd. ("Mishmeret" or the "Trustee for Debentures E-F"); and
In the matter of:	the Controlling Companies (as defined hereunder)

### **1. Definitions**

In this Settlement Plan, the following terms shall bear the meaning ascribed to them in this Section 1:

<b>"Debentures A"</b>	- Debentures (Series A) of the Company, according to a total value of NIS 13,086,771 n.v. registered for trade on the Stock Exchange (Security No. 1108349);
<b>"Debentures B"</b>	- Debentures (Series B) of the Company (including Debentures SA 6/15), according to a total value of NIS 68,225,213, n.v. registered for trade on the Stock Exchange (Security No. 1108356);
<b>"Debentures C"</b>	- Debentures (Series C) of the Company, according to a total value of NIS 119,223,640 n.v. registered for trade on the Stock Exchange (Security No. 1120286);
<b>"Debentures D"</b>	- Debentures (Series D) of the Company, according to a total value of NIS 204,067,125 n.v. registered for trade on the Stock Exchange (Security No. 1121342);
<b>"Debentures E"</b>	- Debentures (Series E) of the Company, according to a total value of NIS 382,400,000 n.v. registered for trade on the Stock Exchange (Security No. 1129394);
<b>"Debentures F"</b>	- Debentures (Series F) of the Company, according to a total value of NIS 144,389,000 n.v. registered for trade on the Stock Exchange (Security No. 1133461);
<b>"Debentures SA 6/15"</b>	- Debentures (Series B) of the Company, according to a total value of NIS 34,112,197 n.v. with respect to the payment of principal of Debentures (Series B), that was prescribed for June 30, 2015 (the Effective Date thereof was June 18, 2015) which was not paid, as yet. The Security No. with the Stock Exchange - 1135946);
<b>"Interest Entitled"</b>	- Those entitled to the payment of interest to the Holders of Debentures (Series B) of the Company, according to a total value of

	NIS 2,110,266, that was prescribed for June 30, 2015 (the Effective Date thereof was June 18, 2015) and which was not paid, as yet;
<b>"The Current Debentures"</b>	- Debentures A, Debentures B, Debentures C, Debentures D, Debentures E and Debentures F and the Interest Entitled, collectively;
<b>"The New Debentures"</b>	- Debentures (Series G) of the Company, registered on a person's name, of NIS1, n.v. each, which would be issued by the Company upon the Settlement Execution Date, as specified in Section 5.2 hereunder, and be registered for trade on the stock exchange, whose conditions are as specified in the New Deed of Trust.
<b>"Stock Exchange"</b>	- The Tel Aviv Stock Exchange Ltd.;
<b>"Dollar"</b>	- US Dollar;
<b>"Settlement"</b>	- The Settlement, as specified in this Settlement Plan and in the Appendices thereto;
<b>The "Controlling Companies"</b>	- Industrial Buildings Ltd., Jerusalem Economy Ltd. and Darban Investments Ltd.
<b>The "Securities Law"</b>	- The Securities Law, 5728-1968;
<b>"Trading Day"</b>	- A day in which trade takes place on the stock exchange.
<b>"The Effective Date"</b>	- A date, which will be the latter from among the following: <ul style="list-style-type: none"> <li>(a) 7 Trading Days after the date of fulfillment of the Suspending Conditions;</li> <li>(b) Upon the lapsing of 45 days from the date of fulfillment of the Suspending Condition, specified in Section 10.5 hereunder, (or an earlier date, as would be agreed between the Company and the Controlling Companies)</li> </ul> <p>The Company will notify of the Effective Date in an immediate report at least three Trading Days in advance;</p>
<b>The "Settlement Execution Date" or the "Execution Date"</b>	- A date, which is a Trading Day, in which all the actions specified in this Settlement Plan will be executed, thereupon the Settlement will enter validity, taking place within 30 days from the Effective Date or any other date (latter), which would be agreed in writing between the Company and the Trustees, as specified in Section 3.2 below. The Company will issue an immediate report with respect to the Settlement Execution Date, at least two Trading Days in advance;
<b>The "Date of Fulfillment of the Suspending Conditions"</b>	- The date in which all the Suspending Conditions, specified in Section 10 hereunder, have been met. The Company will issue an immediate report shortly after the fulfillment of all the Suspending Conditions;
<b>" Shares of the Company"</b>	- Ordinary shares, \$0.01 n.v. each of the Company;
<b>The "Issued Securities"</b>	- The Issued Shares (as defined in Section 5.1) and the New

- Debentures, which would be issued on the Settlement Execution Date in favor of the current Debenture Holders, as specified in Sections 5.1 and 5.2 below;
- The "Trustees"** - The Trustee for Debentures A-B; the Trustee for Debentures C-D; the Trustee for Debentures E-F;
- The "Amount of the Offering (Issue) to the Shareholders"** - A total of \$14.1 million;
- The "Amount of Loans of the Controlling Companies"** - The amounts, which were placed and/or would be placed in favor of the Company by the Controlling Companies (entirely or partially) until the execution date of the Issue to the Shareholders, as stated in Section 6.1 hereunder (amounting to \$6.1 million, as of June 30, 2016) including funds that would be transferred by the Controlling Companies, if any, according to the provisions of Section 12 hereunder.
- The "Current Deeds of Trust"** - The Deed of Trust for Debentures A, dated November 27, 2007, between the Company and Hermetic; the Deed of Trust for Debentures B, dated November 27, 2007, between the Company and Hermetic; the Deed of Trust for Debentures C, dated May 30, 2010, between the Company and Mishmeret, as amended on July 28, 2010, within the framework of which Reznik was appointed as a trustee; the Deed of Trust for Debentures D, dated May 31, 2010, between the Company and Reznik, as amended on July 28, 2010 and the addendum thereto, dated November 8, 2010; the Deed of Trust for Debentures E, dated May 29, 2012, between the Company and Mishmeret; the Deed of Trust for Debentures F, dated September 14, 2014, between the Company and Mishmeret; and any amendment and/or supplement and/or appendix to the aforementioned Deeds of Trust;
- "The New Deed of Trust"** - The New Deed of Trust with respect to the New Debentures, which is attached hereto as **Appendix 5.2** to this plan;
- "The Suspending Conditions"** - The Suspending Conditions to the entrance into validity of the Settlement Plan, the execution of the Settlement and the actions specified in this Settlement Plan, as stated in Section 10 hereunder;

## 2. Appendices

The following Appendices are attached to this Settlement Plan, constituting an integral part hereof:

<b><u>Appendix 3.3</u></b>	The debt balance to the current Debenture Holders, as of June 30, 2016.
<b><u>Appendix 5.1</u></b>	Details of the manner of allotment of the Issued Shares upon the

	Execution Date between the Current Debentures, while making a distinction between the quantity of shares allotted to each of the current series of debentures, Debentures SA 6/15 and the and the Interest Entitled.
<b><u>Appendix 5.2</u></b>	The New Deed of Trust, including payment schedule.
<b><u>Appendix 5.3</u></b>	Details of the manner of allotment of Debentures (Series G) between the Current Debentures, while making a distinction between the quantities of Debentures (Series G) allotted to each of the series of Current Debentures, Debentures SA 6/15 and the Interest Entitled.
<b><u>Appendix 6.6</u></b>	The Stand Still Undertaking of the Controlling Companies
<b><u>Appendix 8</u></b>	Form of the amended and restated Articles of association of the Company

### **3. Execution of the Settlement - General**

- 3.1 The Settlement will enter validity upon the Settlement Execution Date, and all the actions, stated in Section 11 hereunder, will be executed thereupon.
- 3.2 All the Settlement actions, which according to this Settlement Plan ought to be carried out on the Settlement Execution Date, will be viewed as if they were executed simultaneously, by way of combined obligations, suspending the validity of the Settlement, whereby no Settlement action shall be viewed as if it was executed until all Settlement actions were carried out and completed. In the event that the Settlement Execution Date does not take place within 30 days from the Effective Date (or upon a latter date, which would be agreed upon in writing between the Company and the Trustees, to the extent that according to their reasonable discretion, the Settlement Execution Date should be postponed, pursuant to its execution in accordance with its terms, but which will not exceed 21 days from completion of the 30 days stated above (provided that in any event of postponement, as stated above, the Company will issue an immediate report specifying the reasons for the postponement of the Settlement Execution Date)), or if this Settlement is lawfully revoked prior to the execution of all the actions according to it - all the other actions, which were executed within the framework of the Settlement, will be revoked retroactively, and the rights of parties to the Settlement will be reinstated, as if said actions were not carried out altogether.
- 3.3 Each security allotted to the current Debenture Holders, according to this Settlement Plan will be issued *pro rata* between the holders of Debentures A, Debentures B, Debentures C, Debentures D, Debentures E, Debentures F and the Interest Entitled, according to the ratio between: (a) the total balance of the debt (at par) to each of the current Debenture Holders (including the Interest Entitled), as of the Effective Date; and (b) the total balance of the debt (at par) to all the current Debenture Holders (including the Interest Entitled), as of the Effective Date. The balance of the debt stated in Subsections (a) and (b) above, as of June 30, 2016, is as specified in **Appendix 3.3**. Upon the Effective Date, the

above ratio will be calculated by the Company, as of the Effective Date, subject to the approval of the economic consultant of the Trustees. Allotment of the issued securities will be determined according to said ratio. It is hereby clarified that no fractions of securities will be issued under this Settlement, as per the aforementioned ratio, and any fraction of security will be rounded upward to the nearest whole number.

“**At par**” shall mean - with respect to particular debentures as of a particular date - the obligatory value of such debentures (principal, interest accrued and un-paid as yet, and linkage differentials (insofar as the terms of these Debentures include linkage differentials), without fines and arrears interest or any interest adjustments, including in consequence of failure to meet the financial stipulations or grading decreases, accumulated up to a particular date.

3.4 In any event of discrepancy between this Plan and its Appendices, the Appendices shall prevail.

3.5 In any event of discrepancy between the Hebrew-language version of this Settlement Plan, including all its Appendices, and between the Greek-language or English-language versions of this Plan, including all its Appendices (including the draft filed with the court in Cyprus), the Hebrew-language version shall prevail.

4. **Increasing the Registered Capital**

The registered capital of the Company, amounting to \$1,350,000, divided into 1,350,000 shares of the Company of \$0.01, n.v. out of which 103,458,005 shares of the Company have been issued - will be increased up until the Effective Date, as a Suspending Condition to the execution of the Settlement, into share capital which would be in the amount of \$17,000,000 divided into 1,700,000,000 of the Company.<sup>1</sup>

5. **The Considerations According to the Settlement to the current Debenture Holders - Shares of the Company and the New Debentures**

Upon the Settlement Execution Date (following the allotment of the shares according to the Issue to the Shareholders) all the following actions will be executed, whereby the total debts to the current Debenture Holders, according to their balance upon the Settlement Execution Date - will be replaced with the securities, specified in Sections 5.1 and 5.2 hereunder.

In addition, upon the Settlement Execution Date all the Current Debentures will be stricken out of trade and be revoked, and will no longer confer upon the current

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<sup>1</sup> Consolidation of the share capital of the Company could be executed for purposes of convenience. In such an event, the quantity of shares and the capital would be decreased accordingly.

Debenture Holders any right according to them (including for payments that should have been executed prior to the Settlement Execution Date, and which were not executed). Furthermore, upon the cancellation and striking out of the Current Debentures, as stated above, the validity of the current deeds of trust shall expire and all the rights conferred to any party whatsoever according to them shall also expire.

5.1 **Allotment of Shares to the Current Debenture Holders**

Shares of the Company (the "**Issued Shares**"), which would be fully paid-up, free and clear of any debt, pledge, lien, attachment, right of refusal or any other right of any third party, and released from any restriction with respect to transferability of the shares, including the blocking restrictions under the Securities Law, representing 80.5% of the issued and paid-up share capital of the Company (73.3% of full dilution)<sup>2</sup>, immediately after allotment thereof and after allotment of all the shares and securities, according to the Settlement Plan (including the Management Options).

Notwithstanding that stated above, in the event that after completion of the issuing to the shareholders, as specified in Section 6.1 hereunder, the rate of holding of the shareholders, participating in the Issue to the Shareholders ("**The Participating Shareholders**") will be under 100% of the issued and paid-up capital of the Company, then the rate represented by the Issued Shares will be decreased by 80.5% from the balance between 100% and the rate of holding, held by the Participating Shareholders following the Issue to the Shareholders. Notwithstanding, in any event, the rate of the Issued Shares will not be under 79.6% of the issued and paid-up share capital of the Company (72.5% of full dilution) after allotment of all the shares and securities, according to the Settlement Plan (including the Management Options).

It is hereby clarified that companies, held by the Company (directly or indirectly), which hold the Current Debentures upon the Settlement Execution Date, will not be entitled to receive shares of the Company with respect to their holdings in the Current Debentures, and the debentures held by such

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<sup>2</sup> The calculation under full dilution, as per this Settlement Plan, includes the management options according to this settlement plan, however, it does not take into account the options for shares, allotted to employees and officers of the Company (including the CEO and the CFO of the Company), as specified in Note 19 to the Financial Statements of the Company for 2015, published on March 16, 2016, which will remain valid even after the Settlement Execution Date ("**Full Dilution**").

companies, that are held by the Company (directly or indirectly) shall be revoked without any consideration.

**For example:** after completion of the issuing to the shareholders, the Participating Shareholders are holding in 99% of the issued and paid-up capital of the Company under full dilution, while 1% is held by shareholders, who have not participated in the issuing to the shareholders.

In consequence thereof, according to the method stated above, the rate of Issued Shares will be decreased to a rate of 79.6% of the issued and paid-up share capital of the Company (72.5% of full dilution), immediately after allotment of the Issued Shares and after all the remaining allotments, as per this plan (including the Management Options).

The Issued Shares will be registered for trade on the stock exchange within 7 Trading Days from the Settlement Execution Date, and will have equal rights as the rights attaching to the current shares of the Company, as of the Settlement Execution Date.

Without prejudice to the provisions of Section 5.2 hereunder, payment of the par value of the Issued Shares will be executed against waiver of the holders of the Current Debentures of the debt concerning the Current Debentures, according to an amount, equivalent to the payment required by law and/or in accordance with the code of the stock exchange in consideration of the par value.

Details of the manner of allotment of the Issued Shares between the Current Debentures, while making a distinction between the quantity of shares, allotted to each of the current series of debentures, Debentures SA 6/15 and the Interest Entitled, are attached hereto as **Appendix 5.1.**

## **5.2 The Issuing of the New Debentures**

The Company will issue the New Debentures to the holders of the Current Debentures, and the current deeds of trust will be replaced with the New Deed of Trust and be cancelled from that date henceforth. The provisions of the New Deed of Trust alone shall apply to the New Debentures.

It is hereby clarified, that the companies, that are held by the Company (directly or indirectly), which are holding the Current Debentures upon the Settlement Execution Date, will not be entitled to receive Debentures (Series G) for their holdings in the Current Debentures, and the debentures held by the



companies, held by the Company (directly or indirectly) by will be stricken out without any consideration.

**Conditions of the Debentures (Series G)**

The provisions of the New Deed of Trust will apply to the Debentures (Series G) according to the draft attached as **Appendix 5.2** to this plan (including its appendices and supplements).

The following is a concise description of the principal commercial conditions of the new debentures:

- 5.2.1 The principal of the Debentures (Series G) will be according to an amount in shekels equivalent to \$45 (forty five) million, as per the representative rate of exchange of the dollar opposite the shekel, published by the Bank of Israel and known upon the Effective Date, payable in three (3) equal installments, on December 31 of each of the years 2021, 2022 and 2023;
- 5.2.2 The principal of the Debentures (Series G) will bear a fixed annual interest according to a rate of 1%, accumulated up until December 2017 (i.e. PIK interest), without compound interest, and be paid on this date. Thereafter, interest will be paid to the holders of Debentures (Series G) on a current basis once a year, on December 31 of each calendar year;
- 5.2.3 The principal and interest of the Debentures (Series G) will not be linked to the index or to any linkage basis (including any currency) whatsoever;
- 5.2.4 The Debentures (Series G) will not be secured through any securities or mortgages whatsoever;
- 5.2.5 The Company shall not be committed to meet any financial standards whatsoever;
- 5.2.6 The Company will be entitled to take loans and financial liabilities of any kind and type and to give securities, pursuant to their assurance (including by way of mortgaging any of its assets and/or assets of companies under its control or in any other manner);
- 5.2.7 The Company will be entitled to pay off the New Debentures according to an early payment, at any time, according to the par value without any fine, commission, compensation and/or additional payment with

respect to such early payment. An early payment, as stated, shall be executed according and subject to the directives of the stock exchange and the provisions of the New Deed of Trust with respect to an early payment;

5.2.8 The right of placement for immediate payment of the New Debentures shall arise to the holders of the Debentures (Series G) only upon occurrence of any of the events specified in Section 35.i.1 of the Securities Law, according and subject to the provisions of the New Deed of Trust.

5.3 Details of the manner of allotment of the Debentures (Series G) between the Current Debentures, while making a distinction between the quantity of Debentures (Series G) which would be allotted to each of the current series of debentures, Debentures SA 6/15 and the Interest Entitled, are attached hereto as **Appendix 5.3**.

5.4 **Summary of the Distribution of Considerations to the Holders of the Current Debentures**

The following is a summary of the distribution of the consideration to each holder in NIS 1, n.v. of the Current Debentures (under the assumption that with the exception of the Controlling Companies, no additional shareholders will participate in the issue to the shareholders), according to the *pro rata* ratio, as it is on June 30, 2016. It ought to be clarified that the ratio of distributions of considerations will change according to the *pro rata* ratio, applying upon the Effective Date, as specified in Section 3.3 hereunder:

	Debentures (Series G) Par Value	Shares of the Company
The considerations to a holder in NIS 1, n.v. of Debentures (Series A)	0.23	1.52
The considerations to a holder in NIS 1, n.v. of Debentures (Series B)	0.18	1.18
The considerations to a holder in NIS 1, n.v. of Debentures SA 6/15	0.18	1.18
The considerations to the Interest Entitled for each NIS 1, n.v. of Debentures (Series B)	0.18	1.22

The considerations to a holder in NIS 1, n.v. of Debentures (Series C)	0.21	1.42
The considerations to a holder in NIS 1, n.v. of Debentures (Series D)	0.20	1.32
The considerations to a holder in NIS 1, n.v. of Debentures (Series E)	0.19	1.28
The considerations to a holder in NIS 1, n.v. of Debentures (Series F)	0.19	1.26

## 6. Inflow of the Controlling Companies

6.1 Until and not later than the lapsing of 20 days after the date of fulfillment of the Suspending Condition, specified in Section 10.5 hereunder, the Company will offer to all of its shareholders to purchase shares of Company, according to the total amount of Issue to the Shareholders (the "**Issue to the Shareholders**"), either in one offer to all the shareholders or according to separate public and/or private offerings, in accordance with the discretion of the Company, as per the provisions of the relevant laws applying thereto. The Company will be entitled to determine that the consideration for the shares allotted within the framework of the offering to the shareholders, will be paid to it upon the Settlement Execution Date, and accordingly also the actual allotment of shares will be executed on same date.

The Controlling Companies will purchase all the shares of the Company, which would be offered to them within the framework of the offering (issue) to the shareholders (according to their rate of holdings in shares of the Company) (the "**Shares to the Controlling Companies**") and they will pay the consideration due from them for the Shares to the Controlling Companies (the "**Consideration of the Shares**"), as specified hereunder: (a) part of the Consideration of the Shares in an amount equivalent to the amount of the loans of the Controlling Companies will be paid by way of converting the full loans of the Controlling Companies into share capital of the Company or by way of offsetting the amount of the loans of the Controlling Companies; and in addition – (b) the balance of the Consideration of the Shares (after deduction of the amount of the loans of the Controlling Companies) will be paid by the Controlling Companies in cash. However, in the event that due to whatever cause, it will not be possible to pay for the Shares to the Controlling Companies

by way of converting the loans of the Controlling Companies or offsetting, as stated in Subsection (a) above, then the Controlling Companies will purchase all the Shares to the Controlling Companies against cash payment only, and the Company will use the Consideration of the Shares in order to pay the loans of the Controlling Companies forthwith.

- 6.2 In the event that within the framework of the Issue to the Shareholders, the amount raised by the Company would be under the issuing amount to the shareholders (the "**Issuing Balance**") then upon the Settlement Execution Date, the Company will allot to the Controlling Companies additional shares of the Company ("**The Additional Shares**"), in consideration of the amount of the Issuing Balance (according to a share price determined in the offering to the shareholders). Any amount which would be transferred to the Company by the Controlling Companies, from the day following the date of issuing to the shareholders until the Settlement Execution Date (including amounts according to the provisions of Section 12 hereunder, if and to the extent that they are transferred by the Controlling Companies) – will be decreased from the amount of the Issuing Balance.

Example (based upon current data, as of June 30, 2016): within the framework of the offering to the shareholders, the Controlling Companies will be required to purchase shares of the Company, according to an amount of \$12.11 million (85.9% of the amount of offering to the shareholders). An amount of \$6.1 million will be converted into share capital of the Company, while an amount of \$6.11 million will be paid in cash; in an event whereby none of the shareholders, which are not among the Controlling Companies, will participate in the offering, the balance amount in the offering will be approx. \$1.99 million, and the Controlling Companies will be required to invest this amount in cash.

- 6.3 In consideration of execution of the investments, as stated in Sections 6.1 and 6.2 above, the Controlling Companies and the remaining shareholders of the Company, participating in the Issue to the Shareholders, will be allotted shares of the Company ("**The Shares Issued to the Shareholders**"), which would be all fully paid-up, representing 19.5% of the issued and paid-up share capital of the Company (17.47% of full dilution) immediately after their allotment and after

allotment of all the shares and securities, according to the Settlement Plan (including the Management Options).

Notwithstanding that stated above, in the event that after completion of the Issue to the Shareholders, as specified in Section 6.1 hereunder, the rate of holding of the Participating Shareholders will be under 100% of the issued and paid-up capital of the Company, then the rate of the Issued Shares to the shareholders will be decreased by 19.5% of the balance between 100% and the rate of holding, held by the Participating Shareholders following the Issue to the Shareholders.

- 6.4 It is hereby clarified that the internal division between the Controlling Companies with respect to fulfillment of their obligations under the **Stand Still Undertaking of the Controlling Companies** (according to their definition hereunder) will be according to the direct rate of holding of each of them in the capital of the Company or as would be as agreed between the Controlling Companies from time to time, according to their sole discretion.
- 6.5 From the date of issuance of the shares to the Controlling Companies, as stated in Section 6.1 and/or 6.2 above and for a period ending upon completion of 12 months from the Settlement Execution Date (the "**Blocking Period**") sale of the shares allotted to the Controlling Companies within the framework of the issue to the shareholders will be restricted, as stated in Section 6.1 and/or 6.2 above (the "**Blocked Shares**") as follows:
- a. During a period, ending upon completion of 6 months from the Settlement Execution Date (the "**Initial Period**"), the Controlling Companies will not be entitled to sell or transfer the Blocked Shares, entirely or partially, directly or indirectly, either in stock exchange transactions or outside the stock exchange or in any other manner.
  - b. From completion of the Initial Period until the end of the Blocking Period, the Controlling Companies will be entitled to sell and transfer up to 50% of the Blocked Shares, either in stock exchange transactions or outside the stock exchange.
  - c. The restrictions, stated in Subsections (a) and (b) above will not apply to the following: (i) sale of the Blocked Shares (entirely or partially) within the framework of a purchase offer made (if any) to the shareholders of the Company during the Blocking Period; and (ii) sale and transfer of the

Blocked Shares (entirely or partially) between the Controlling Companies and also between the Controlling Companies and companies, controlled by them, so long as the entity receiving the shares will approve in advance and in writing, that it undertakes the blocking restrictions on the strength of the provisions of this Section 6.5.

- d. Upon completion of the Blocking Period, the Controlling Companies will be under no restriction whatsoever in connection with the sale and/or transfer of shares of the Company, held by them, including the Blocked Shares.

6.6 The irrevocable obligation of the Controlling Companies, as specified in Sections 1 above and in Section 8 hereunder, is attached hereto as **Appendix 6.6**.

7. **Allotment of Securities to the Management of the Company**

Upon the Settlement Execution Date, the following provisions will apply with respect to the allotment of securities to the management of the company:

- 7.1 The management of the Company shall be allotted, according to a distribution to be determined by the Company, free of charge, option warrants (non-negotiable) for the purchasing of shares of the Company, representing, under the assumptions of their realization, nine percent (9%) of the issued and paid up capital of the Company immediately after their allotment and after allotment of all the shares according to the Settlement Plan (including allotment of the Issued Shares) (**the "Management Options"**).

The terms of the Management Options will be determined by the board of the Company and will include the following conditions, specified hereunder:

- a. Management Options for each of the offerees (**the "Options of the Offerrees"**) could be realized in four equals quotas, as follows- so long as upon the realization date, the offeree is still employed or renders services to the Company (subject to that stated in Section (e) hereunder): the first quota could be realized upon the lapsing of 12 months from the Settlement Execution Date; the second quota could be realized after the lapsing of 24 months from the Settlement Execution Date; and the third quota could be realized after the lapsing of 36 months from the Settlement Execution Date, and the fourth quota could be realized after the lapsing of 48 months from the Settlement Execution Date.

- b. The realization price of each option and will be ₪1.5 [cent] per share, subject to adjustments, as stated in Subsection (d) hereunder but not under the par value of share of the Company.
- c. All the options could be realized up until completion of 5 years from the maturity date of the first quota of the Management Options.
- d. The offerees will be entitled to adjustments with respect to the issuing of rights, the issuing of bonus shares, distribution of dividends, capital changes etc. as accepted in the granting of options to officers in public companies in Israel.
- e. In the event of resignation of the offeree, the options that have not matured as of the date of the resignation shall expire, and the offeree will be entitled to realize the options that matured (up until the resignation date) over a 14 day period from completion of the employment.

In the event of dismissal of the offeree (not due to a cause, denying him rights to payment of severance pay, as per the Severance Pay Law, 1963) the offeree will have a right of `acceleration` of the options that have not matured, as yet, and the offeree will be entitled to realize the options that have matured, as stated, but which are not realized as yet, over a period, accepted in the granting of options to officers in public companies in Israel.

In the event of dismissal of the offeree in consequence of a reason denying him rights to payment of severance pay, as per the Severance Pay Law, 1963, all the options granted to same offeree (whether matured or not) will expire immediately and without any consideration.

8. **Amendment of the Articles of Association of the Company, Board of the Company**

A general meeting of the shareholders of the Company shall be convened (as the determining date for its assembling is after the Execution Date, whereby all the shareholders participating therein will be shareholders after completion of all the allotments according to the provisions of this plan), as the following resolutions are on its agenda:

- a. Approving the amendment of the Articles of Association and its replacement with the Articles of Association attached as **Appendix 8** to this plan (or a similar draft brought for approval within the framework of the summoning to the general meeting), *inter alia*, which will include: (a) provisions for the appointment of directors to the Company, whereby until the date of full payment of the unpaid balance of the New Debentures (**the "Payment Date"**), the board of the Company shall include not less than two external directors (according to their definition in the Companies Law, 5759-1999) and an additional independent director (according to the definition thereof in the Companies Law, 5759-1999); (b) subject to the laws applicable to the Company (which cannot be stipulated), provisions according to that specified in Parts A and B of the Fourth Supplement of the Securities Law, as required according to Section 39a of the Securities Law, subject to the authority of the Securities Authority to release the Company from these provisions, entirely or partially.
- b. The appointment of 2 external directors and an additional independent director.

The Controlling Companies will be obligated to vote in the general meeting in favor of amendment of the Articles of Association, as stated.

9. **The Status of the Debentures Held by the Controlling Companies, Companies Under Control of the Controlling Companies and Fishman family**

In order to remove any doubt, it should be clarified as follows:

- 9.1 The debentures, which are held by the Controlling Companies and/or companies under control of the Controlling Companies (not including debentures that are held by companies, which are held by the Company (directly or indirectly)) will be entitled to the considerations in the Settlement, similarly to the other Debenture Holders.
- 9.2 The Current Debentures, held by the Fishman Family, will be entitled to the considerations in the Settlement, similarly to the other Debenture Holders.
- 9.3 The Current Debentures, held by companies, that are held by the Company (directly or indirectly) will not be entitled to the considerations in the Settlement, and they shall be revoked and stricken out without any consideration whatsoever.
- 9.4 The status of the debentures, which would be held by the Fishman family, will be identical to the status of the remaining New Debentures.



- 9.5 The status of the debentures, which would be held by the Controlling Companies and/or companies under control of the Controlling Companies will be identical to the status of the remaining New Debentures, subject to the provisions of any law.

10. **The Suspending Conditions**

The execution of the Settlement is stipulated in the fulfillment of all Suspending Conditions specified hereunder:

- 10.1 Receipt of the approval of the Company's authorized organs, according to the Cypriot Companies Laws, to the extent required under the Cypriot Law;
- 10.2 Receipt of approvals of the Israel Securities Authority and the stock exchange with respect to the amendment of the Company's shelf prospectus, allowing the Company to issue the securities, issued to the current Debenture Holders under this plan, as they are released from any restriction of transferability, including the blocking restriction under the Securities Law;
- 10.3 Receipt of approval of the Stock Exchange to register all the shares of the Company, as well as approval for the allotment and registration for trade of the securities that would be issued according to this plan, including: (a) the shares that would be issued within the framework of the Issue to the Shareholders; (b) the Additional Shares; (c) the New Debentures and (d) the Issued Shares; (e) the shares allotted in consequence of realization of the Management Options, as specified in Section 7 (including approval of allotment of the Management Options);
- 10.4 Receipt of approval of the meeting of all the current Debenture Holders for execution of this Settlement, according to the Cypriot Law;
- 10.5 Receipt of the approval of the competent court of Cyprus with respect to this Settlement;
- 10.6 Receipt of the approval of the general meeting of the shareholders of the Company with respect to the Settlement, according to the Cypriot Law;
- 10.7 Receipt of approval of the Tax Authority with respect to the Settlement, including any tax, if any, which is liable to apply to the Debenture Holders, as a result of the cancellation and striking out of the Current Debentures, against the issuing of the Issued Shares and the New Debentures, and also in connection with all the other actions under this Settlement. An approval, as stated, will be published prior to the date of the preliminary meetings of the current debenture

holders (alternatively, the Company will on the same date publish a description of the expected tax arrangement, so long as the approval of the Tax Authority, that accords with the arrangements described by the Company, is received and published at least two days prior to the Settlement Execution Date). Without prejudice to the generality of that stated above, if any tax is imposed on the Debenture Holders in connection with the allotment and/or issue of the Issued Shares and/or the Debentures (Series G), according to this Settlement, it will not be borne by the Company;

- 10.8 Increment of the registered share capital of the Company, as specified in Section 4 above;
- 10.9 Up until August 11, 2016, the results of the preliminary meetings of holders of the Debentures (Series A-F) will be received, whereby according to the results of the preliminary meetings, the necessary majority was obtained, pursuant to the approval of the Settlement Plan in Cyprus, as per the method of weighing votes, approved by the District Court of Tel Aviv-Jaffa, in its decision of August 3, 2015, within the framework of the application for the giving of instructions, filed by the Trustees, dated July 22, 2015 in Civil Case 46418-07-15;
- 10.10 Agreements will be signed, concluded and enter validity between SberBank of Russia and four subsidiaries of the Company in connection with loans, placed in their favor by the Bank according a total scope of Approx. \$160 million, constituting an amendment to the current Loan Agreements between the Bank and the companies; and all as specified in an immediate report of the Company, dated July 9, 2016 (Ref. No. 2016-01-078190);
- 10.11 There is no prevention, according to any judicial order, to the execution of the Settlement;
- 10.12 The Standstill of the Controlling Companies, attached as an appendix to this plan, will be signed and published on the Magna, prior to the date of the preliminary meetings of the current Debentures Holders.

If all Suspending Conditions (save for the condition of Section 10.9 above that should be met up until the date stated therein) are not fulfilled up until November 30, 2016 (the "**Final Date**"), this Settlement Plan could be revoked by the Company, the Trustees or the Controlling Companies, by way of a written notice to the other parties, as the case may be, and without the Company, the Controlling Companies, the Trustees or the Debenture Holders having any contention, demand or claim in connection therewith

(unless the reason for non-fulfillment of a Suspending Conditions up until the Final Date emerges from a malicious prevention with respect to the application of a Suspending Condition by any of the parties, after this Settlement Plan has been approved by same party, being the cause that not all the Suspending Conditions were met (the "**Preventing Party**") – in such an event the party that has not maliciously prevented the fulfillment of the condition, as stated, will have the right to file a claim against the Preventing Party only), and the rights of all parties to this Settlement Plan will be reinstated. Notwithstanding that stated above, the parties may agree in writing to extend the date for the fulfillment of the Suspending Conditions by up to 14 days from the Final Date (without need for approval of the Debenture Holders meetings) for a fixed period, determined by a joint meeting, as stated. In addition it is clarified that all approvals received for this plan, as specified above, will be given for the entire provisions of the plan as a whole, including all parts thereof, and if any change is made in this Settlement Plan over the course of its approval proceedings (other than changes with negligible effect on the rights of any of the parties to this Settlement Plan), after either of the parties gave its approval thereto, a renewed approval of that party will be required.

Notwithstanding that stated above, in the event that the Suspending Condition, specified in Section 10.9 above (approval of the preliminary meetings) is not met until the date stated therein, this Settlement Plan will be null and void immediately and automatically, without the Company, the Controlling Companies, the Trustees and debenture holders having any contention, requirement or claim in respect thereof, and the rights of all the parties to the Settlement Plan will be reinstated.

**11. Execution of the Actions Upon the Settlement Execution Date**

On the Settlement Execution Date, the following interconnected actions shall be executed, as all the actions ought to be executed concurrently and none of the actions shall be valid without the remaining actions being executed:

- 11.1 The Company and the Trustee for the New Debentures shall sign the New Deed of Trust (and the Company shall furnish the Trustees and Trustees shall furnish the Company with signed copies of the Deed of Trust and its Appendices);
- 11.2 The Company, according to the provisions of this Settlement, will allot and register for trade on the stock exchange (within 7 days from the Settlement Execution Date) all the shares in the issued and paid up share capital, the

shares issued within the framework of the issue to the shareholders, the Issued Shares, the Additional Shares and the New Debentures. Furthermore, the Company will register for trade the shares emerging from realization of the Management Options (within 7 days from the Execution Date);

- 11.3 The Company will deliver to the Trustees a copy of the share certificates for the Issued Shares and the debenture certificates for the New Debentures, allotted to the Debenture Holders, as provided to the Registrations Company bearing the “received” stamp of the Registrations Company;
- 11.4 The Company will convene a general meeting of the shareholders, whose agenda will include approval of the amendment of the Articles of Association of the Company and the appointment of directors, as specified in Section 8 above;
- 11.5 The amount of the Issue to the Shareholders shall be fully transferred to the Company, as specified in Section 6 above, against allotment of the shares, as per the Issue to the Shareholders, including the Additional Shares;
- 11.6 The total of \$11 million, including its fruits (hereinafter: the “**Trust Funds**”), which was deposited with Yad-Am Trusteeships (2011) Ltd. (in this section: “**The Trustee**”) or the balance thereof, as set forth in Section 12 below, shall be released and transferred to the Company (or to anyone instructed by it), and the parties hereby instruct the Trustee to release it, as stated;
- 11.7 The Company will pay the full fee and expenses of the Trustees for the Current Debentures and their consultants, according to accounts furnished upon the Company up to 3 business days prior to the Settlement Execution Date;
- 11.8 The Current Debentures, including Debentures SA 6/15 and the rights of the Interest Entitled, will be cancelled and stricken out of trade on the stock exchange, and they will not confer upon the holders of the Current Debentures any right whatsoever according to them (including with respect to payment that ought to be executed prior to the Settlement Execution Date, which were not executed);

The Company and the Trustees shall act in such a manner, that to the extent possible and subject to the guidelines of the stock exchange in this matter, all the actions that ought to be executed upon the Execution Date will be carried out on a single Trading Day. However, it is hereby clarified that in any event all the Settlement actions, that

ought to be executed upon the Execution Date, will be regarded as if they were executed simultaneously and none of the actions of the Settlement shall be considered to be executed until all the Settlement actions have been executed and completed, even if the Execution Date extends on more than one Trading Day.

12. **The Company's Stand Still Undertaking and Transfers of Funds to the Company during the Period until the Execution Date**

12.1 During the period until the Settlement Execution Date, the Stand Still Undertaking signed by the Company toward the Trustees on January 22, 2015 (the "**Stand Still Undertaking**") and the restrictions set forth in the Company's approval, dated April 20, 2015, according to which the Company, its directors, interested parties and the Controlling Shareholders thereof are in a blackout period (the "**Approval**"). Upon the Settlement Execution Date, the Stand Still Undertaking and the Approval and also any other restriction (if any) that prevailed upon the Company, the directors and interested parties thereof within the framework of the contacts toward the Settlement, will expire on the Settlement Execution Date and will no longer be of any validity. Upon the Settlement Execution Date, concurrently with the deposit of the Cushion with the Trustee for the New Debentures, as per the new Deed of Trust, the Trustees will release to the Company the full deposit amount, executed by them according to Section 5.4 of the Stand Still Undertaking.

12.2 From the date of fulfillment of the Suspending Condition, specified in Section 10.9 above, until the Execution Date, the Stand Still Undertaking and the letter of instructions to the Trustee, attached as an appendix thereto, will be amended in such a manner that to the extent that the Company shall require transfer of funds for its operations, as per the exclusive discretion of the Company (the amount required for the Company shall be referred to as: **the "Funding Amount"**), then to the extent that the Company is interested to utilize the deposit funds (according to their definition in Section 11.6 above), it will be entitled to do so, on condition that concurrently with the release of whatever amount from the deposit ("**The Released Amount**") an amount at the rate of 19.5% of the Funding Amount will be transferred in favor of the Company by the Controlling Companies, whereby the Released Amount will represent 80.5% of

Funding Amount. These funds, if transferred by the Controlling Companies, as stated above, to the extent that they are indeed transferred, will be on account and as part of the issuing amount to the shareholders.

13. **Miscellaneous**

13.1 This Settlement pertains to the relations between the Company and the current Debenture Holders. Nothing in this Settlement may affect the rights and obligations (if any) of the other creditors of the Company.

13.2 The approval of this Plan constitutes an approval of all the appendices thereof (including the New Deed of Trust), even if the provisions thereof are not explicitly expressed in this Settlement Plan.

13.3 As from the Settlement Execution Date, the Settlement may not be revoked by any of the parties, due to any cause whatsoever.

13.4 As from the Settlement Execution Date, any change in any of the Settlement terms, stated in the New Deed of Trust, will be made in the manner prescribed thereto in the New Deed of Trust, and there will be no need to apply to the court for that purpose, save where it is required by law.

13.5 As from the Settlement Execution Date –

13.5.1 Each of the Exempted Parties (as defined hereunder) will be fully, finally, absolutely and irrevocably released and exempted from any contention, requirement or claim, whether known or unknown, in connection with any cause of action, evolving during the period, which preceded the Settlement Execution Date, including in connection with any matter, directly or indirectly relating to the current Debentures and/or the Current Deeds of Trust and/or the conduct of the Company and its officers and/or the conduct of the companies held by the Company and their officers and/or the actions of any company and officer, as aforesaid, with the exclusion of criminal, malicious or fraudulent actions or omissions (the "**Waiver**"). Notwithstanding that stated above, if any of the Exempted Parties is sued (the "**Defendant**") by anyone (the "**Plaintiff**") according to any cause of action, including the causes included in the Waiver, the Waiver will not prevent the Defendant from filing a counter claim against the Plaintiff and/or from sending third party notices against any party whatsoever, including the Exempted Parties or any of them (the "**Third Party**"), without prejudice in any manner

whatsoever to the rights of the Third Party on the strength of the Waiver against the Plaintiff. Notwithstanding that stated above, the Company will be prevented from filing a third part notice against any of the Exempted Parties.

13.5.2 The "**Exempted Parties**" for the purpose of Section 13.5 are defined as the current Debenture Holders and/or the Trustees and/or their representatives and/or the consultants of the Trustees and/or anyone on their behalf and/or the shareholders of the Company (including the Controlling Companies) and/or anyone on behalf of any of them and/or the Company and/or the officers of the Company and/or the Company's employees and/or any company controlled or held by the Company (the "**Subsidiaries**") and/or the officers and employees of the Company's Subsidiaries and/or the Company's representatives and/or consultants and/or anyone on behalf of any of them. In order to remove any doubt: each Debenture Holder will enjoy the Waiver, separately and independently, and the Waiver will also apply to each Debenture Holder toward all other Exempted Parties.

13.5.3 It is clarified that nothing in the provisions of this Section 13.5 above will derogate from the insurance and indemnification rights of the officers of the Company toward the Company and/or the Subsidiaries, if any and/or from the Trustees' indemnification rights from the Company and/or the Debenture Holders.

13.6 In the event that the date for allotment of the securities, is not a Trading Day, said date will be delayed to the subsequent Trading Day.

13.7 The Trustees and the Company will be entitled, in writing, during the period preceding the Settlement Execution Date, as follows:

13.7.1 To determine supplementary technical provisions pertaining to this Settlement Plan (including the New Deed of Trust), provided that such provisions do not prejudice, in a non-negligible manner, the rights of any of the parties to this Settlement Plan;

13.7.2 To determine provisions in matters, pertaining to the proving of rights over the Debentures, provided that according to the discretion of each of the Trustees, such provisions shall not prejudice, in a non-negligible

manner, the rights of any of the Debenture Holders of the relevant series under this Settlement Plan;

- 13.7.3 To decide upon the execution of other actions, which may be necessary in light of the replacement of the current Debentures and for the execution of the Settlement, provided that according to the discretion of each of the Trustees, such actions shall not prejudice, in a non-negligible manner, the rights of the Debenture Holders of the relevant series under this Settlement Plan.

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### **Appendix 3.3**

#### **Debt Balance toward the Holders of the Current Debentures, as of June 30, 2016\***

<b><u>Series No.</u></b>	<b><u>Debt Balance at Par</u></b>
A	17,279,096
B	34,942,794
B - SA 6/15	34,941,956
B - Interest Entitled	2,232,713
C	146,808,769
D	178,964,740
E	426,060,441
F	158,596,482
<b>Total</b>	<b>999,826,992</b>

\*With the deduction of holdings of subsidiaries as of June 30, 2016

**Appendix 5.1**  
**Details of Manner of Allotment of the Issued Shares\***

Series	Rate out of the Total Debt	Shares
A	1.73%	19,857,334
B	3.49%	40,156,658
B	3.49%	40,155,695
B	0.22%	2,565,859
C	14.68%	168,714,312
D	17.90%	205,668,320
E	42.61%	489,633,517
F	15.86%	182,260,886
<b>Total</b>	<b>100%</b>	<b>1,149,012,579</b>

\* With the deduction of holdings of subsidiaries: as of June 30, 2016, NIS/\$ Rate of Exchange is 3.846. The final distribution will be determined according to the ratio of the debt balance between the series upon the Effective Date; The shares are allotted according to a rate out of the total debt of each series; the data are under the assumption that the Debenture Holders will be allotted approx. 80.5% of the share capital of the Company. The final allotment rate will be determined according to the rate of participation in the issuance of rights, shifting between 79.6% - 80.5%.

## Deed of Trust

Drawn Up and Signed in Tel Aviv on the [•] day of the month of [•], 2016

Between: **MirLand Development Corporation Plc**  
A foreign company, incorporated in Cyprus, whose registered offices are at:  
Cyprus, Limassol, 3025, Thessalonki Street,  
Nicilau Pentadromos Center, floor 10, office 1002  
TEL. +25-357-871785; Fax. +25-357-342403  
And a response in Israel for the purpose of this Deed and for the purpose of service of court's processes is with Steinmetz, Haring, Gurman & Co. Advocates, 23 Begin Rd., Tel Aviv, or any other address, as the Trustee would be notified by the Company in writing.  
(the "**Company**")

of the First Part;

And: **Mishmeret - Trusts Services Company Ltd.**  
48 Mernachem Begin Rd., Tel Aviv  
Tel. 03-6374351  
(the "**Trustee**")

of the Second Part

**Whereas** within the framework of the Settlement Plan, issued on [•] (Ref. No. [•]) (the "**Settlement Plan**") committed between the Company, the Company's Debenture Holders (Series A through F) ("**The Previous Debentures**") and the Controlling Companies (as defined in the Settlement Plan), that this Deed of Trust is attached as Appendix 2.5 thereto, it was agreed that subject to the fulfillment of various Suspending Conditions, determined in the Settlement Plan, upon the Settlement Execution Date (as defined in the Settlement Plan) among others, the Previous Debentures will be replaced with the Debentures (Series G) ("**The Debentures**"), whose conditions are stated in this Deed of Trust and its appendices; and

**Whereas** as of the date of signature of this Deed of Trust, all the Suspending Conditions to the execution of the Settlement had been met in full, as stated in the Settlement Plan;

**Whereas** the Trustee is a company limited by shares that was lawfully incorporated in Israel, whose main purpose is to engage in trusteeships; and

**Whereas** the Trustee declares that there is no impediment under the Law (as defined hereunder) or under any other law, to its commitment in this Deed of Trust with the Company, and that it satisfies all the requirements and conditions of eligibility, determined in the Law (as defined hereunder) in order to serve as a trustee, according to this Deed of Trust; and

**Whereas** the Trustee has no material interest in the Company and the Company has no personal interest in the Trustee; and

**Whereas** the Company declares that there is no impediment under the law to its commitment in this Deed of Trust with the Trustee; and

- Whereas** the Company approached the Trustee with a request, that it will serve as the trustee for the holders of the debentures, issued within the framework of the Settlement Plan, and the Trustee consented thereto, and all subject and according to the conditions of this Deed of Trust;
- Whereas** the Trustee consented to sign this Deed of Trust and to act as a Trustee for the holders of the Debentures.

**Therefore, it was Agreed, Declared and Stipulated between the Parties, as Follows:**

1. **Preamble, Interpretation and Definitions**

- 1.1 The Preamble to this Deed and the Appendices attached to it constitute an integral part thereof.
- 1.2 The division of this Deed into sections and the headings of sections are for convenience and reference purposes only and may not serve in its interpretation.
- 1.3 Anything stated in this Deed in the plural will also include the singular and *vice versa*; anything stated in one gender will also include the other gender, and any reference to a person will also include a corporation, unless this Deed contains any other explicit and/or implied provision and/or unless the contents and/or context of this Deed require otherwise.
- 1.4 The Trustee's signature on this Deed of Trust may not be viewed as an expression on its part with respect to the nature of the Debentures or the feasibility of the investment therein.
- 1.5 In the event of any discrepancy between the provisions of the Deed of Trust and the provisions of the Settlement Plan, the provisions of the Deed of Trust shall prevail.
- 1.6 The terms of the Debentures (the Terms registered overleaf) constitute an integral part of the provisions of the Deed of Trust, as if the provisions of the Deed of Trust were explicitly included in the terms of the Debenture. In the event of any discrepancy between that stated in the Addendums to the Deed of Trust, including the Debenture, and that stated in the Deed of Trust, the provisions of the Deed of Trust will prevail.
- 1.7 This Deed of Trust will enter validity upon the date of issuing of the debentures, which would be executed on the Settlement Execution Date.
- 1.8 The following expressions in this Deed of Trust and in the Debentures will bear the meaning ascribed to them hereunder, unless a different meaning is implied by the contents and/or context:

<b>"This Deed" or the "Deed of Trust"</b>	This Deed of Trust, including the Appendices and Addendums attached hereto, constituting an integral part thereof;
<b>"Dollar"</b>	US dollar;
The <b>"Trustee"</b> -	Mishmeret - Trusts Services Company Ltd. and/or anyone, serving as a trustee for the debenture holders, as per this Deed;
The <b>"Ledger"</b>	The Ledger of Debenture Holders as specified in Section 29 of this Deed;
The <b>"Debenture Holders"</b>	As this term is defined in the Securities Law;

and/or <b>“Debenture Owners”</b> <b>“Debenture Certificate”</b>	A debenture certificate, according to its drafting in the First Addendum to this Deed;
The <b>“Law”</b> or the <b>“Securities Law”</b>	The Securities Law, 5728-1968 and the Regulations according to it, as they will be in force from time to time;
<b>“Principal”</b>	The total par value of Debentures (Series G) that was not paid, as yet;
<b>“Trading Day”</b>	Any day in which trading takes place on the Tel Aviv Stock Exchange Ltd.
<b>“Business Day”</b> or <b>“Banking Business Day”</b>	Any day in which most of the banks in Israel are open for the execution of transactions, with the exception of Fridays and Eve of Holidays.
The <b>“Stock Exchange”</b>	The Tel Aviv Stock Exchange Ltd.;
The <b>“Registrations Company”</b>	The Registrations Company of Bank Hapoalim Ltd. or any registration company replacing it;
<b>“The Companies Law”</b>	The Companies Law, 5759-1999;
<b>“Special Resolution”</b>	A resolution adopted in a general meeting of Debenture Holders in the presence of Debenture Holders, holding at least fifty percent (50%) of the balance of Principal, either in person or by proxy, or in an adjourned meeting in the presence of Debenture Holders, holding at least twenty percent (20%) of said balance, either in person or by proxy, which was adopted (either in the original or in the adjourned meeting) by a majority of at least two thirds (2/3) of all the votes participating in the vote, with the exclusion of abstainers;
<b>“Ordinary Resolution”</b>	A resolution adopted in a general meeting of Debenture Holders in the presence of Debenture Holders, holding at least twenty five percent (25%) of the balance of Principal, either in person or by proxy, or in an adjourned meeting, taking place with any number of participants whatsoever, which was adopted (either in the original meeting or the adjourned meeting) by a majority of at least fifty percent (50%) of all votes participating in the vote, with the exclusion of abstainers;
<b>“Settlement Execution Date”</b>	[•] [•] 2016;
The <b>“Regulatory Codex”</b>	The regulatory codex of the Commissioner of the Capital Market, Insurance and Savings Department at the Ministry of Finance. <sup>1</sup>

<sup>1</sup> <http://mof.gov.il/hon/Information-entities/Pages/Codex.aspx>.

2. **The Appointment of the Trustee**

The appointment of the Trustee, as a trustee for the Debenture Holders only, on the strength of the provisions of Section 35.b of the Securities Law, according to its conditions, as they may be from time to time.

3. **Powers of Trustee**

- 3.1 The Trustee will represent the Debenture Holders in any matter emerging from the undertakings of the Company toward them, and it will be entitled for this purpose to act, pursuant to the exercise of the rights conferred upon the Holders, in accordance with the Law or under the Deed of Trust.
- 3.2 The activities of the Trustee would be valid despite any defect discovered in its appointment or eligibility.
- 3.3 The Trustee will use the authorities, authorizations and powers granted to it under this Deed of Trust, according to its discretion, or according to a resolution of the Meeting.
- 3.4 The Trustee is entitled to assume any proceedings, in order to protect the rights of the Holders, according to any law and as specified in this Deed of Trust.

4. **Increase of Series**

- 4.1 The Company may issue (whether according to a private offering, in a prospectus and/or amendment to a prospectus, according to a shelf offering report or in any other manner) at all times and from time to time, according to its exclusive discretion, including to a related holder (as this term is defined in Section 6.2 below), in accordance with the provisions of any law, additional Debentures from this Series of Debentures (**the "Additional Debentures"**), whose terms are identical to the terms of the Debentures issued from this Series, at any price and in any manner deemed fit by it, and this Deed will also apply to any such Additional Debentures issued by the Company. The Additional Debentures shall from the date of their issuance be viewed similarly to the Debentures issued from this Series, *mutatis mutandis* as the case may be.
- 4.2 The Company will approach the stock exchange with a request to register the Additional Debentures for trade, as stated, if and to the extent that they are offered.
- 4.3 The Trustee will serve as the trustee for the issued Debentures, as they may be from time to time in circulation, and also in the event of an increase of the Series. In such an event, the consent of the Trustee to serve on behalf of the increased Series, as well, will not be required. In order to remove any doubt, the Holders of the Additional Debentures, as stated in this section above, will not be entitled to any interest with respect to interest periods, that the Effective Date for payment thereof is prior to the date of their issuance.
- 4.4 The Debentures may be issued according to their par value, at a discount or according to a premium.

- 4.5 In the event that the rate of discount, determined for the Debentures, on account of an increase in the Series of Debentures, is different from the rate of discount of the existing Debentures, being in circulation at such a time, the Company will approach the Tax Authority immediately, prior to the increase in the Series, in order to obtain its approval that in the matter of any withholding of tax at source from the discount fees with respect to aforementioned Debentures, a uniform rate of discount will be determined for the aforementioned Debentures, according to a formula that weighs various rates of discount in that series. In the event that such an approval is received, the Company will calculate, prior to the date of increase in the series, the weighted rate of discount with respect to the entire series of Debentures and will publish the uniform weighted rate of discount for the entire series in an immediate report, prior to the increase in such a series, and the tax will be deducted upon the payment dates of the aforementioned Debentures of the series, according to such weighted rate of discount, as per the provisions of any law. If no approval is received, the Company will notify in an immediate report (prior to the issuance of the Debentures, resulting from the increase of the Series) of such non-receipt of the approval and that the uniform rate of discount will be the highest rate of discount with respect to the series. Members of the Stock Exchange will withhold the tax at source upon payment of the Debentures from that series, pursuant to the rate of discount, which would be reported, as stated above. Therefore, there could cases in which the Company will withhold the tax at source on account of discount fees at a higher rate than the discount fees determined for anyone holding Debentures from that series, prior to the increase in the series. In such a case, subject and according to the provisions of the law applicable at such a time, an assessed who held Debentures, prior to the increase of the series until payment of the aforementioned Debentures, will be entitled to file a tax return with the Tax Authority and receive a refund for the tax withheld at source from the discount fees, to the extent it is entitled to such a refund in accordance with the provisions of any law.

5. **The Issuing of Additional Securities**

The Company is entitled to issue - at all times and from time to time (whether by way of a private or public offering) according to its exclusive discretion, without being required to obtain the agreement of the Debenture Holders and/or the Trustee and/or to give notice to any of them in this respect, including to a Related Holder, as it is defined in Section 6.2 hereunder - other series of debentures and/or other securities of any kind and type whatsoever (including such whose payment date precede the final payment date) with or without attaching rights for the purchasing of shares of the Company, according to terms of interest, linkage, securities, payment and other conditions, as the Company may deem fit, whether they are preferable to the conditions of the Debentures, equal to them or inferior, that being without prejudice to the payment duty, imposed on the Company in accordance with on the strength of this Deed.

6. **The Acquisition of Debentures by the Company and/or by a Related Holder**

- 6.1 The Company reserves the right to purchase at all times and from time to time debentures from any series of debentures, according to any price deemed fit by it, without prejudice to the payment obligation with respect

to the Debentures that are held by others, with the exception of the Company. The debentures that would be acquired by the Company shall be cancelled upon their purchasing and be stricken out of trade on the stock exchange, and the Company will not be entitled to re-issue them. In the event of an acquisition of debentures by the Company, as stated, the Company shall pass an immediate report thereof, as required by law, if any. In the event that the debentures are acquired by the Company, as stated, within the process of trade on the stock exchange, the Company will approach the clearinghouse of the stock exchange with a request to withdraw the debentures certificates with respect to the debentures that were acquired.

- 6.2 Any subsidiary of the Company, a corporation under control of the Company and/or the holder in control of the Company (directly or indirectly) and/or anyone on its behalf and/or a corporation under control of the holder in control of the Company (directly and/or indirectly) and/or their family members (with the exception of the Company in respect of which that stated in Section 6.1 above shall apply) ("**Related Holder**") will be entitled to purchase at all times and from time to time, including within the framework of an offering by the Company and/or to sell at all times and from time to time debentures of any series on the stock exchange and/or outside of it, according to their discretion (subject to any law). The debentures which are held by a Related Holder, as stated, shall be regarded as an asset of the Related Holder; they will not be stricken out of trade on the stock exchange, but be subject to the rules of the stock exchange, transferrable as the other debentures of the Company (subject to the provisions of the Deed of Trust and the debentures). In the event that the Company becomes aware of a purchase/sale, as stated, the Company shall pass an immediate report in respect thereof, as required by law, if any. Furthermore, in the matter of meetings of Debenture Holders, including the lawful quorum and the counting of votes in general meetings of Debenture Holders, that stated in the Second Supplement to this Deed shall apply.
- 6.3 The contents stated in this Section 6 in itself, may not be binding upon the Company or the Debenture Holders to acquire debentures or to sell the Debentures held by them.

## 7. **Liabilities of the Company**

- 7.1 The Company undertakes to pay, upon their due dates, all amounts of principal and interest, payable in accordance with the terms of this Deed and to fulfill all the other conditions and obligations imposed on it in accordance with the terms of this Deed of Trust.
- 7.2 The Debentures (Series G) will rank equally (*pari passu*) between themselves, with no right of priority or preference of one over the other.
- 7.3 The Debentures (Series G) are not secured by means of any securities, whatever pledges or in any other manner. Without prejudice to that stated above, see details with respect to the Expense Cushion, as per Section 8.25 hereunder.
- 7.4 The Debentures (Series G) will be registered for trade on the stock exchange in the name of the registrations company.



- 7.5 In order to remove any doubt, it is clarified that the Trustee is not under any duty to examine, and the Trustee did not actually examine nor will it examine the necessity for the placement of securities to assure the payments to the Debenture Holders. The Trustee was not requested to conduct, and the Trustee did not actually conduct or will conduct any economic, accounting or legal due diligence with respect to the condition of the Company's business. In the commitment of the Trustee in this Deed of Trust and its consent to serve as a trustee for the Debenture Holders, the Trustee is not expressing its opinion, explicitly or implicitly, with respect to the economic value of the securities, to the extent that such would be provided (if any) by the Company and also with respect to the capability of the Company to meet its undertakings toward the Debenture Holders. The contents stated above may not prejudice the duties of the Trustee according to the law or under the Deed of Trust (to the extent that such a duty applies to the Trustee under the provisions of any law). The contents stated above may not prejudice the duties of the Trustee under the provisions of any law and/or under the Deed of Trust (to the extent that such a duty applies to the Trustee according to any law).

## 8. Early Redemption

### 8.1 Early redemption due to a Decrease in the Value of the Series Under the Amount Determined in the Stock Exchange Directives

If it is decided by the Stock Exchange to delist the Debentures because the value of the Series of Debentures is under the amount determined in the Stock Exchange Directives with respect to delisting of debentures, the Company is entitled (but not obligated) at its sole discretion, to execute an early redemption of the Debentures, in whole or in part, pursuant and subject to the provisions of Section 8.2 below.

### 8.2 Early Redemption According to the Initiative of the Company

The Company will be entitled, according to its exclusive discretion, to execute an early redemption of the balance of debentures, entirely or partially, without payment of any fine or commission whatsoever, subject to the directives of the stock exchange, as they would be upon the relevant date, according to the following conditions:

- 8.2.1 The amount paid to the holders of the Debentures (Series G) in the event of an early redemption will be the obligatory value of the Debentures (Series G) in cycle, which are placed for early redemption, i.e. principal together with interest, accrued up until the actual early redemption date, which was not paid, as yet.
- 8.2.2 The minimum amount of any early redemption will be NIS1 million. Notwithstanding that stated above, the Company may execute an early redemption in an amount of less than NIS1 million, provided that the frequency of redemptions does not exceed one redemption per annum. Notwithstanding that stated, in the event that the payment is under NIS1 million, in such a manner that it is impossible to divide it, the Company will deposit same amount with the Trustee in lieu of transferring the amount to the Debenture Holders (however, in order to remove any doubt, it shall not be viewed as redemption of the part that was not actually redeemed) and it will

serve for payment of the principal of the Debentures upon the coming payment date or for the execution of an early redemption of the Debentures.

- 8.2.3 Any amount paid according to an early redemption by the Company, will be paid with respect to all the Debenture Holders, *pro rata*, according to the par value of the Debentures held by them.
- 8.2.4 Upon adoption of a resolution by the Company's board of directors, with respect to an early redemption, as described above, the Company will publish an immediate report with respect to the execution of the early redemption, and the amount paid according to the early redemption to the Debenture Holders, will not be under seventeen (17) days nor above forty five (45) days before the execution of the early redemption. The early redemption date will not take place during the period between the due interest payment date for the Debentures and the date in which the interest was actually paid.
- 8.2.5 The early redemption date shall not apply during the period between the Effective Date for the payment of interest with respect to the Debentures and the actual payment date of interest.
- 8.2.6 No early redemption will be carried out for part of a series of Debentures if the last redemption amount is under NIS3.2 million.
- 8.2.7 In the event of a partial early redemption, if any, the Company will pay to the Debenture Holders, upon the partial early redemption date, the interest accumulated merely for the part, which is partially redeemed but not for the entire unpaid balance.
- 8.2.8 Upon the partial early redemption date, if any, the Company will notify in an immediate report, as follows: (1) the amount of the partial redemption in terms of the unpaid balance; (2) the amount of the partial redemption in terms of the original series; (3) the amount of interest in partial redemption with respect to the redeemed part; (4) the amount of interest to be paid in partial redemption, calculated with respect to the unpaid balance; (5) an update on the amounts of the remaining partial redemptions in terms of the original series; (6) the Effective Date for entitlement to receive early redemption of the principal of the Debentures, which would be determined according to the directives of the stock exchange.

## 9. Immediate Payment

### 9.1 Upon occurrence of one or more of the events specified below, the provisions of Section 9.2 will apply:

- 9.1.1 The Company's business has materially deteriorated as compared to its condition upon the issuing of the Debentures in [●], 2016 [the Settlement Execution Date should be filled in] and there is a significant risk that the Company will not be able to pay off the Debentures in a timely manner upon their due date.

- 9.1.2 The Debentures were not paid off in due time or that another material undertaking, given in favor of the Debenture Holders, was not met.
  - 9.1.3 The Company did not publish a financial statement that it is obligated to publish under the provisions of any law within 30 days from the last date in which it was obligated to publish it.
  - 9.1.4 If the Debentures were stricken out of trade on the Stock Exchange.
- 9.2 Upon occurrence of any of the events in Section 9.1 above, the following provisions will apply:
- 9.2.1 Upon occurrence of any of the events specified in Section 9.1 of this Deed, the Trustee may convene a meeting of Debenture Holders, whose date will be upon the lapsing of twenty one (21) days from the date of the invitation (or a shorter period, pursuant to the provisions of the Deed of Trust, including the Second Addendum to this Deed) whose agenda will include a resolution to call for immediate payment of the entire unpaid balance of the Debentures.
  - 9.2.2 In the event that the Company, until the date of the meeting, will cause the cancellation and/or termination of the relevant event, specified in Section 9.1 of the Deed, in respect of which the meeting is about to convene - the summoning of the meeting of Debenture Holders will be cancelled, as stated above.
  - 9.2.3 In the event that until the date fixed for the meeting, none of the events set forth in Section 9.1 of this Deed above is canceled or removed, and a resolution of the meeting of the Debenture Holders is adopted, as specified in Section 4.2.9. hereunder, the Trustee will be obligated, within a reasonable time, to call for immediate payment the entire unpaid balance of the Debentures.
  - 9.2.4 A resolution to place the Debentures for immediate payment will be adopted by the meeting of the Debenture Holders, which is held in the presence of holders of at least fifty percent of the par value of the balance of the Debentures, according to a majority of the Holders of the par value of the balance of the Debentures, represented at the vote (except for those abstaining) or by such a majority at an adjourned meeting of the Debenture Holders, who are present therein and holding at least twenty five percent of the balance of the par value of the shares.
  - 9.2.5 The Trustee and/or the Debenture Holders will not call the Debentures for immediate payment, but only after passing to the Company a notice of their intention to act in this fashion, 15 days in advance. However, the Trustee and/or the Holders are not obligated to pass such a notice if there is reasonable concern that the mere delivery of the notice will affect the possibility of calling the Debentures for immediate payment. The notice of invitation to the meeting, which would be published, as stated, shall constitute a prior notice in writing to the Company of their intention to act as stated above.

- 9.2.6 The Trustee is entitled, according to its discretion, to shorten the aforementioned period of 21 days (as per Section 9.2.1 of this Deed) and/or the aforementioned 15 day warning, as per Section 9.2.5 above, in the event the Trustee deems that it is necessary for the protection of the rights of the Debenture Holders.
- 9.2.7 In the event, that a reasonable period is determined in any of the sub-sections of Section 9.1 above, whereby the Company may execute any action or adopt any resolution, as a result of which the cause for calling for immediate payment is removed, the Trustee or the Debenture Holders may place the Debentures for immediate payment, as stated in this Section 9, only if such determined period has elapsed and the cause has not been removed; however, the Trustee may shorten the aforementioned period if it deems that it may significantly prejudice the rights of the Debenture Holders.
- 9.2.8 The Company will issue an immediate report upon occurrence of an event constituting a cause for immediate repayment after actually having been informed thereof.
- 9.2.9 The contents stated above will not derogate from the right of the Trustee to call for immediate payment of the Debentures, due to the causes specified in Section 9.1 above.
- 9.2.10 In order to remove any doubt, it is clarified that the right to call for immediate payment, as stated above and/or the actual call for immediate payment will not derogate or prejudice any other or additional remedy, available to the Holders of the Debentures (Series G) or to the Trustee under the terms of the Debentures (Series G) and the provisions of this Deed or according to the provisions of any law. Avoiding the call for immediate payment upon occurrence of any of the events specified in Section 9.1 will not constitute any waiver of the rights of the Debenture Holders or of the Trustee.

## 10. **Claims and Proceedings by the Trustee**

- 10.1 In addition to any other provision of this Deed and as an independent right and authority, the Trustee will be entitled, according to its discretion and without passing an additional notice to the Company, to take such measures against the Company, including legal proceedings and requests to receive instructions, as it may deem fit, and subject to the provisions of any law, also to enforce upon the Company to execute its undertakings under the Deed of Trust, in order to protect the rights of the Debenture Holders. The Trustee will be entitled to exercise its authority under this Section at any time and without any prior notice, after the Debentures are called for an immediate payment, as specified in Section 9 above, and also in the event that the Debentures have not been called for an immediate repayment, as yet.
- 10.2 Subject to the provisions of Section 25 of this Deed ("**Indemnification of the Trustee**") the Trustee will be obligated to act, as specified in Section 10.1 above, if it is required to do so by an Ordinary Resolution adopted by the general meeting of the Debenture Holders.

- 10.3 The Trustee is entitled, before taking any such action as specified above, to convene a meeting of Debenture Holders in which the Holders will resolve by way of an Ordinary Resolution what measures should be taken, in order to realize their rights under the Deed of Trust. In addition, the Trustee will be entitled to reconvene a Holders' meetings for the purpose of receiving instructions with respect to the carrying out of such proceedings.
- 10.4 Subject to the provisions of this Deed, the Trustee is entitled, but it is not obligated, to convene at all times a general meeting of Debenture Holders to discuss and/or receive its instructions on any matter, which concerns the Deed of Trust.
- 10.5 Whenever the Trustee is required under this Deed of Trust to carry out any action whatsoever, including commencement of proceedings or the filing of claims according to the requirement of the Debenture Holders, as stated in this Section, the Trustee may, at its sole discretion, refrain from the execution of any action by it, according to the Deed of Trust, in order to approach the meeting of Debenture Holders and/or the court, until it receives instructions from the general meeting of the Debenture Holders and/or instructions from the court, provided that such convening of a meeting or application to the court are carried out upon the first date possible.
- 10.6 In order to remove any doubt, it is clarified that the Trustee may not delay the execution of a call for immediate repayment, decided upon by the meeting of the Debenture Holders, under Section 9 above, unless if the event, that led to the resolution to call for immediate payment, was canceled or removed.
- 10.7 In order to remove any doubt, it is hereby clarified that nothing in the provisions specified above may prejudice and/or derogate from the right of the Trustee, which is hereby granted to it, to apply, at its sole discretion, to legal instances and/or assume other proceedings, even before the Debentures are called for immediate repayment, in order to protect the rights of the holders of Debentures (Series G) and/or for the purpose of obtaining any order whatsoever concerning the affairs of trusteeship.

11. **Trusteeship Over Receivables**

All the funds that are held from time to time by the Trustee, save for his fee, expenses and the payment of any debt toward him, in any manner whatsoever, including but not only as a result of having the Debentures called for immediate repayment and/or as a result of proceedings assumed by it against the Company, if any, will be held by it in trust and be used by it for the purposes and in accordance with the following order of priority in crediting:

**First** - to pay the costs, payments, levies and undertakings which were expended by the Trustee, imposed on it or incurred in connection with or as a result of the execution of the trusteeship, or in any other manner in connection with the terms of this Deed of Trust, including its fee (on condition that the Trustee will not receive its fee from both the Company and the Debenture Holders);

**Second** - to pay any other amount under the "Indemnification Undertaking" (as this term is defined in Section 25.1 hereunder);

**Third** - reimbursement to the holders, who bore the payments under Section 25 of the deed, in excess of their relative share, as per Section 25.6.2 hereunder, followed by a refund payment to the holders, who bore payments according to their relative share, as per Section 25.6.2 hereunder.

The balance will be used in accordance with the following order of preference: (a) firstly - to pay to the holders the arrears of interest due to them under the terms of the Debentures (Series G), *pari passu* and *pro rata* to the amount of arrears interest due to each of them, without any right of preference or priority to any of them; (b) secondly - to pay to the Holders of Debenture (Series G) the interest amounts that are due to them, *pari passu*, whose payment is not due as yet, relatively to the amounts due to them, without any preference of chronological priority of issuance of the Debenture (Series G) by the Company or in any other manner; (c) thirdly - in order to pay to the Holders of Debenture (Series G) the arrears of principal that are due to them according to the conditions of the Debentures, *pari passu*, and relatively to the amount of principal in arrears that is due to any of them, without preference of priority between them; (d) fourthly - in order to pay to the holders the principal amounts that are due to them according to the Debentures that are held by them, *pari passu*, whether the payment date is due or not, relatively to the amounts due to them, without any preference which may arise from the order of time by which the Debenture (Series G) were issued by the Company or otherwise; and the surplus, if any, will be paid by the Trustee to the Company or its substitutes, as the case may be. The payment of such amounts by the Trustee to the Holders of Debenture (Series G) is subject to the provisions of the law in accordance with it.

Withholding tax will be deducted from the payments to the Holders of Debenture (Series G), to the extent that it is obligatory to deduct such amount by law.

The Trustee will be entitled to offset any amount that the Company and/or the Debenture Holders owe to the Trustee (whether by way of payment on account of its fee or as reimbursement of expenses) according to the right of the Trustee to receive such amounts, as stated, on the strength of this Deed of Trust, without any need for a resolution of a meeting of Debenture Holders and/or receive the consent of the Company, on condition that the Trustee notified the holders of the debentures and the Company of such an offset, as stated, in the manner stated in Section 28 of this Deed.

It is hereby clarified that to the extent that the Company was required to bear any expenses, but the Company failed to do so, the Trustee will act reasonably in order to receive such amounts from the Company and if it succeeds to obtain them, they will be held by it in trust and will be used by it for the purposes and in accordance with the order of preference specified in this Section.

12. **Power to Demand Payment to the Holders via the Trustee**

The Trustee may instruct the Company in writing to transfer to the Trust Account for the Debenture Holders in lieu of execution of a payment to them, either fully or partially (interest and/or Principal) on the date determined under this Deed (and not prior thereto) pursuant to the financing of proceedings and/or the costs and/or the fee of the Trustee according to this Deed. The Company may not refuse to act under the Trustee's notice and the Company will be deemed to have fulfilled its undertaking to the aforementioned Holders with respect to the amounts that the holders were required to bear according to this Deed, if it transferred the amount required by the Trustee in favor of the account, whose details were set forth in the Trustee's notice, and the Trustee and the Holders will have no claim against the

Company in such a case with respect to the transfer of the payment. Nothing stated above will release the Company from its duty to bear payments of costs and fees, if any, as it is required to bear such amounts under this Deed or under the provisions of any law.

13. **Authority to Delay the Distribution of Funds**

- 13.1 Notwithstanding the provisions of Section 11 of the Deed of Trust, in the event that the amount received by the Trustee, which is available at whatever time for distribution, as specified in this section above, is less than NIS1 million (the "**Minimum Amount**"), the Trustee will not be obligated to distribute it and it will be entitled to invest said amount, wholly or partly, in investments permitted under this Deed and to reinvest such investments from time to time in other permitted investments under this Deed, as it may deem fit.
- 13.2 Upon the earlier from the following dates, the Trustee will distribute the accumulated amount to the Debenture Holders entitled thereto, according to the purposes and the priority, as stated in Section 11 above, even if it falls below the Minimum Amount: (1) shortly after the resolution of the Debenture Holders adopted as a Special Resolution at a meeting of the Debenture Holders, ordering the Trustee to distribute the accumulated amount; (2) upon the first payment date of the Principal and/or interest under the terms of the Debentures, taking place after the accumulated amount has been received by the Trustee; (3) when the investments of the accumulated amount, as stated above, together with their fruits, reach the Minimum Amount; (4) if the Trustee is of the opinion that no additional amounts are expected to be received by it within a reasonable time in favor of the Debenture Holders, subject to the guidelines of the stock exchange, as they would be at such a time.
- 13.3 Notwithstanding that stated above, payment of the fee of the Trustee and its expenses will be executed out of said funds immediately upon their due date (and in the matter of expenses that were already paid by the Trustee, their amount shall be reimbursed to the Trustee forthwith, as these funds reaches the Trustee) even if the amounts that reach the Trustee are under the Minimum Amount.
- 13.4 It is hereby clarified, that the contents stated in this section may not derogate from the duty of the Company to execute the payment to the Debenture Holders, and the Trustee will require the full amounts called for payment

14. **Notice of Distribution and Deposit with the Trustee**

- 14.1 The Trustee will notify the Debenture Holders of the date and place of execution of a payment, which is among the payments specified in Sections 11 and 13 of the Deed of Trust, according to a 14 day prior written notice, which would be delivered in the manner set forth in Section 27 of the Deed of Trust.
- 14.2 Following the date set forth in the notice, the Debenture Holders will be entitled to receive interest thereon, according to the rate specified in the Debentures, only with respect to the balance of the Principal amount (if any) after deduction of the amount that was paid or deposited by the Trustee, as per the provisions of Section 14 hereunder.

15. **Non Payment for Reasons not Depending on the Company**

- 15.1 Any amount due to a Holder, which was not actually paid to him upon its due date, for any reason not depending on the Company, while the Company is willing to make such payment is able to make such payment in full and in the due date (the "**Impediment**"), will not bear interest from such date and said Holder will be entitled only to the amounts that were due to him on the date set for such payment on account of the Principal and/or the interest (as the case may be).
- 15.2 In the event that such an amount is not paid within 14 days from its due date, the Company will transfer said amount, on the 15<sup>th</sup> day following the due payment date (and if it is not a Business Day, on the first Business Day thereafter) to the Trustee, which will hold it in trust for the Debenture Holder, and such holding will be viewed as the payment of such an amount to the Holder, subject to the provisions of Section 15.3 of this Deed. In the event that such an amount is the last payment – the holding thereof in trust will be regarded as redemption of the Debenture, subject to the provisions of Section 15.3 of this Deed. The Trustee will deposit with the bank any amounts held by it in trust for the Holders and will invest it in its name or to its order, according to its discretion, in permitted investments under the Deed of Trust, as the Trustee deems fit, subject to the provisions of any law. After the Trustee receives notice from the Holder that the Impediment has been removed, it will transfer to the Holder the amounts that were accumulated as a result of the deposit and those arising from the realization of their investment, with the deduction of all costs and expenses, fees, management fees of the trust account and with a deduction of all mandatory tax payments, due under the applicable law, as well as its fees. Payment will be made against the presentment of such proof, acceptable to the Trustee with respect to the Holder's right to receive same amount.
- 15.3 Upon completion of one year from the final payment date of the Debentures, the Trustee will transfer to the Company the amounts accumulated with it, with the deduction of its expenses, Its fee and other expenses, incurred according to the provisions of this Deed, and the Company will hold them in trust and will invest them as stated above in favor of the Holder for a period of seven (7) years from the date that they were transferred to it, as specified above, and it will not use them in any manner during such period. With respect to amounts to be transferred to the Company by the Trustee, as specified above, the provisions of Section 17 of this Deed will apply, *mutatis mutandis*. Upon the transfer of the funds by the Trustee to the Company, to the Trustee's satisfaction, the Trustee will be released from paying such amounts to the entitled Debenture Holders.
- 15.4 The Company will furnish the Trustee with a written confirmation of the transfer of said amounts to it and receipt of same amount in trust for the Debenture Holders, as stated above. The Company will indemnify the Trustee for any claim and/or expense and/or damage of any kind, incurred by it as a result of the transfer of these funds, as stated above, provided that it did not act in bad faith and/or maliciously and/or negligently, in a manner which is not exempted by law. Funds not demanded by a Debenture Holder upon completion of seven (7) years from the date of transfer of the funds by



the Trustee to the Company will be transferred to the Company, and it will be entitled to use the remaining funds for any purpose whatsoever.

16. **Receipts from Debenture Holders**

- 16.1 A receipt from a Debenture Holder or reference given by a Stock Exchange member in respect of Principal and interest amounts paid to him by the Trustee for the Debenture will absolutely release the Trustee in any matter pertaining to the payments of the amounts specified in the receipt.
- 16.2 A receipt from the Trustee concerning the deposit of the Principal and interest amounts by it in favor of the Debenture Holders, as specified in Section 15.2 of the Deed, will be deemed as a receipt from the Debenture Holder for the purpose of the provisions of this Section 16.1 of the Deed.
- 16.3 Funds distributed, as specified in Sections 11, 13 and 15 of the Deed, will be viewed as payment on account of repayment of the Debentures.

17. **Presentment of a Debenture to the Trustee and Registration in Connection with Partial Payment**

- 17.1 The Trustee may request a Debenture Holder to present to it, upon payment of any interest or partial payment of the Principal and interest in accordance with the provisions of Sections 12, 13 and 14 above, the Debenture Certificate for which such payments are made, and the Debenture Holder will be obligated to present the Debenture Certificate as stated above, provided that nothing therein will obligate the Debenture Holders to make any payment and/or expense and it will not impose on the Debenture Holders any liability and/or obligation whatsoever.
- 17.2 The Trustee will be entitled to add a note on the Debenture Certificate, specifying the amounts that were paid and the date of their payment.
- 17.3 The Trustee, in any special case, as per its discretion, is entitled to waive the presentment of the Debenture Certificate after receiving from the Debenture Holder an Indemnification Undertaking and/or sufficient security to its satisfaction with respect to the damage that could be incurred as a result of the failure to add such a note.
- 17.4 Notwithstanding that stated above, the Trustee will be entitled, at its discretion, to keep other records in another manner with respect to such partial payments.

18. **Investment of Funds**

All funds that the Trustee is entitled to invest in accordance with the Deed of Trust, will be invested by it, in its name or to its order, in bank deposits with one of the five larger banks in Israel or investments in securities of the State of Israel, according to its discretion.

Having done so, the Trustee will be obligated to pay to the parties, entitled to such amounts, only the consideration to be received from the realization of the investments with a deduction of its fees and costs, commissions and expenses related to such investment and the bookkeeping of the trusteeship, fees and other mandatory payments, applying to a trust account, and the Trustee will act with the balance of the funds in accordance with the provisions of Sections 10 and/or 12 above, as the case may be.

19. **Undertakings of The Company Toward the Trustee**

The Company hereby undertakes toward the Trustee, for as long as the Debentures have not been paid up, as follows:

- 19.1 To continue handling the Company's business in a regular, proper and efficient manner.
- 19.2 To keep and maintain its assets in a good and proper condition and to regularly and promptly pay all mandatory payments, if any, that apply to its assets.
- 19.3 To give and instruct its accountants to give the Trustee and/or anyone as would instructed by it, any explanation, document, calculation or data concerning any of the companies of the Group (according to its definition hereunder) their businesses and/or assets, as could be reasonably required, at the Trustee's discretion, in order to carry out such examinations for the purpose of protecting the rights of the Debenture Holders.

"**The Group**" - shall mean the Company and any corporation, joint venture or another entity, which is directly or indirectly controlled by the Company.

"**Control**" - according to its meaning in the Securities Law, 1968.

- 19.4 To maintain orderly account books in accordance with acceptable accounting principles. To keep the books and documents that serve as references (including deeds of pledge, mortgage, accounts and receipts) and to enable the Trustee and/or anyone appointed by it in writing for this purpose - upon a date which would be coordinated with the Company, within a reasonable time in advance, taking into account the circumstances of the matter at hand, which will not exceed 7 business days - to inspect any book and/or document and/or certificate as stated above at any reasonable time.
- 19.5 To summon the Trustee to its general meetings (or to annual general meetings or special general meetings of the Company's shareholders) without conferring upon the Trustee a right to vote at such meetings, and also to furnish the Trustee, upon its demand, with signed minutes of the meetings of shareholders.
- 19.6 Subject to the provisions of any law and the provisions of this Deed of Trust, the Trustee undertakes, through its commitment in this Deed, to maintain the confidentiality of any information provided to it by the Company, not to disclose it to others and not to use it in any manner, unless the disclosure or use thereof is required, in order to fulfill its position in accordance with the Securities Law, the Deed of Trust or following a court order. This duty of confidentiality will also apply to any agent of the Trustee (including any consultant, lawful representative and the like) who, if requested by the Company, will deliver such an undertaking of confidentiality. It is clarified, that the transferring of information to the Debenture Holders, pursuant to the taking of a resolution, pertaining to their rights according to the Debentures or for the purpose of giving a report of the condition of the Company - does not constitute a breach of the confidentiality obligation of the Trustee, as stated.
- 19.7 Allowing to the Trustee and/or anyone appointed by it in writing for this purpose, subject to prior coordination, to enter the Company's offices and

any other premises in which its assets are located, at any reasonable time, not later than seven (7) business days from the date of a written request of the Trustee, in order to inspect its assets, at the Trustee's discretion, for the protection of the Debenture Holders.

- 19.8 Causing that the senior officer of the Company in the financial field will deliver within a reasonable time from the date of request of the Trustee, to the Trustee and/or to anyone on its behalf, at its request, an affidavit and/or declarations and/or documents and/or details and/or information, as may be required by the Trustee, at its sole discretion, pursuant to the implementation and exercise of the authorities, powers and authorizations of the Trustee and/or its lawful representatives under the Deed of Trust, including information which could be essential and necessary in order to protect the rights of the Debenture Holders.
- 19.9 To carry out all actions which may be necessary and/or reasonably required in accordance with the provisions of any law, in order to give force and effect to the exercise of the authorities, powers and authorizations of the Trustee and/or its lawful representatives under the Deed of Trust.
- 19.10 Unless specifically stated otherwise, any notice published by the Company on the distribution system of the Securities Authority (MAGNA) will be viewed as a notice delivered to the Trustee.
- 19.11 If the Company ceases to be a reporting corporation, as defined in the Securities Law, the Company undertakes to report in accordance with the instructions of the Regulatory Codex upon the dates set forth therein.

20. **Additional Undertakings**

After the Debentures are called for immediate payment, as specified in Section 9 of the Deed, the Company, from time to time and whenever it is required by the Trustee, will execute all reasonable actions to enable the exercise of all the powers vested upon the Trustee, and particularly the Company will execute the following actions:

- 20.1 Pay the Debenture Holders and the Trustee all the amounts due to them and/or which would be due to them according to the provisions of the Deed of Trust, whether the date for payment of the obligation with respect to them is due or not ('Acceleration'), within 14 Business Days from the date of such notice.
- 20.2 Issue the declarations and/or sign all documents and/or execute and/or cause the execution of all actions that could be necessary and/or required under the Law, in order to vest validity upon the authorities, powers and authorizations of the Trustee and/or its lawful representatives.
- 20.3 Give all notices, orders and instructions, deemed useful by the Trustee, pursuant to the implementation of the provisions of the Deed of Trust.  
For the purpose of this section — a written notice signed by the Trustee, confirming that an action, required by it within the scope of its powers, is a reasonable action, will constitute *prima facie* evidence thereof.

21. **Representatives**

The Company hereby irrevocably appoints the Trustee as its representative, in order to execute, on its behalf and in its stead, all actions that it should carry out in accordance with the terms of this Deed, and to generally act on its behalf in connection with actions that the Company should carry out under this Deed and has failed to execute them, or to exercise part of the authorities vested in it, and to appoint any other person as the Trustee may deem fit for the execution of its duties under this Deed, provided that the Company failed to carry out such actions that should have been carried out by it in accordance with the terms of this Deed within a reasonable period of time, as determined by the Trustee, from the date of the Trustee's demand, and provided it has acted in a reasonable manner.

Nothing in the appointment under this Section may be binding upon the Trustee to take any action, and the Company hereby releases the Trustee and its agents in advance in the event that they fail to take any action, and the Company waives in advance any claim it may have against the Trustee and its agents for any damage incurred or that could be incurred by the Company, directly or indirectly, as a result thereof, due to any action not carried out by the Trustee and its agents, as stated above.

22. **Reporting by the Trustee**

22.1 From the signature date of this Deed, in each calendar year, the Trustee will prepare an annual report with respect to the affairs of the trusteeship in accordance with the provisions of Section 35h1(a) of the Law (hereinafter: the "**Annual Report**").

22.2 According to the provisions of Section 35h1(b) of the Law, the Trustee will prepare a report, according to the reasonable requirement of the Holders of at least ten percent of the balance of the par value of the Debentures, within a reasonable time from the date of the requirement, subject to the confidentiality obligation of the Trustee toward the Company, as provided in Section 35J(4) of the Law.

23. **Special Powers**

The Trustee will be entitled to deposit all certificates and documents evidencing, representing and/or establishing its right with respect to any asset, which is in its possession at such time, in a safe box and/or any other place, as it may choose, with any banker and/or banking company and/or attorney.

The Trustee, within the framework of trusteeship affairs under this Deed, may seek the opinion and/or advice of any attorney, accountant, appraiser, assessor surveyor, broker or any other expert (hereinafter, "**Consultants**") and it may act in accordance with their conclusions, whether such opinion and/or advice was prepared at the request of the Trustee and/or by the Company. The Trustee will not be liable for any loss or damage incurred as a result of any action and/or omission executed by it, based on such opinion and/or advice, unless it was determined in a peremptory judgment that the Trustee acted in a negligent manner, which is not exempted by law, as would be applicable from time to time and/or lack of good faith and/or maliciously. The Company will bear all reasonable costs with respect to the employment of the Consultants, appointed as stated above, provided that wherever possible under in the circumstances and so far as it may injure the rights of the Holders, the Trustee will give to the Company prior notice of its intention to obtain

such an expert opinion or advice. In this matter, publication of the invitation to a meeting of Debenture Holders, whose agenda includes the appointment of Consultants, as stated, shall be viewed as the passing of an early notice to the Company.

Any such advice or opinion may be given, sent or received by letter, cable, facsimile and/or any other electronic means intended for the transmission of information and the Trustee will not be liable for actions executed by it in reliance on any advice, opinion or message, transmitted to it by any of the aforementioned methods, even if they included errors or were not authentic, unless the errors or unauthentic nature could have been discovered in a reasonable examination. It is hereby clarified that the documents are transferable, on the one hand, and the Trustee may rely on them, on the other, only where a clear and readable copy thereof is received. In any other case, the Trustee will be obligated to demand their receipt in a manner, which would enable them to be readable and understood.

Subject to the provisions of this Deed, the Trustee may, but is not obligated, to convene, at any time, a meeting of Debenture Holders to discuss and/or obtain its instructions on any matter pertaining to this Deed. The provisions of Section 52m of the Law will apply to the actions of the Trustee, as specified above.

Within the framework of the trusteeship, the Trustee will use the powers, authorizations and authorities vested in it under this Deed, as per its absolute discretion, and subject to any other provisions of this Deed, the Trustee will not be liable for any damage caused as a result of any mistake of judgment, unless it has been held in a peremptory judgment that the Trustee acted in a negligent manner, which is not exempted by law, which is applicable from time to time, or in bad faith or in a malicious manner.

Subject to any law, the Trustee will not be obligated to give notice to any party of the execution of this Deed and it may not intervene in any manner whatsoever in the management of the business or affairs of the Company, other than in accordance with the powers vested in it under this Deed or according to the law. Nothing in this section may in any way limit the Trustee in the execution of actions that should be executed by it in accordance with the Deed of Trust and the law.

**24. Authority of the Trustee to Hire Agents**

The Trustee will be entitled, in the management of the trusteeship affairs, to appoint agent(s) that will act in its stead, either an attorney or another, in order to carry out or to participate in the carrying out of special actions, which should be executed in connection with the trusteeship and without derogating from the generality of the above, instituting legal proceedings, wherever possible and wherever it does not prejudice the rights of the Holders. The Trustee will notify the Company in advance of the appointment of an agent, as stated above. In addition the Trustee will be entitled to pay, at the Company's expense, the fees of any such agent (including in advance) and the Company will reimburse the Trustee for its aforementioned expenses immediately upon its first demand. In this matter, publication of the invitation to a meeting of Debenture Holders, whose agenda includes the appointment of an agent, as stated, shall be regarded as the passing of an early notice to the Company.

25. **Indemnification of the Trustee**

25.1 The Company and the Debenture Holders (on the relevant Effective Date as stated in Section 25.7 of the Deed of Trust, each with respect to the undertakings as stated in Section 25.5 of the Deed of Trust), hereby undertake to indemnify the Trustee and any corporate officers therein, its employees, shareholders, an agent or an expert appointed by it and/or to be appointed by the Trustee under the provisions of this Deed of Trust and/or under a lawful resolution, adopted at the meeting of the Debenture Holders under the provisions of this Deed of Trust (hereinafter, wholly or partly, jointly and/or separately, the **“The Parties Entitled to Indemnification”**) with respect to the following:

25.1.1 Any damage and/or loss and/or financial obligation according to a judgment (in respect of which no stay of execution was granted) or under a settlement that was concluded (and to the extent the settlement concerns the Company, the consent of the Company was given to the settlement) the cause of action in respect of which relates to actions executed by the Parties Entitled to Indemnification or that they ought to perform under the provisions of this Deed of Trust and/or under law and/or according to the instruction of a competent authority and/or according to the provisions of any law and/or the requirement of the Debenture Holders and/or the requirement of the Company; And also with respect to-

25.1.2 The fee of the Parties Entitled to Indemnification and reasonable expenses incurred and/or about to be incurred in consequence of execution of the trusteeship or in connection with such actions, that in their opinion were necessary for the execution of that stated above and/or in connection with use of powers and authorizations granted by virtue of this Deed and the law, and also in connection with various legal proceedings, opinions of attorneys and other experts, negotiations, deliberations, expenses, insolvency proceedings, collection proceedings, debt settlements, assessment of the debts, valuations, claims and demands concerning any matter and/or issue carried out and/or not carried out in any manner whatsoever with respect to the stated above.

And all on condition that:

25.1.2.1 The Parties Entitled to Indemnification will not demand indemnification in advance on a matter that cannot be postponed, without prejudicing their right to demand indemnification retroactively, if and to the extent that such right arises;

25.1.2.2 It was not determined in a conclusive judicial decision that the Parties Entitled to Indemnification acted in bad faith and that said action was carried out not within the scope of fulfillment of their duties, not according to the provisions of the law and/or not pursuant to this Deed of Trust;

25.1.2.3 It was not determined in a conclusive judicial decision that the Parties Entitled to Indemnification acted maliciously or negligently, which could not be exempted by law.

The indemnification obligations according to this Section 25.1 shall be referred to as **“The Indemnification Liability”**.

- 25.2 It is agreed that in any event it is contended against the Parties Entitled to Indemnification that (1) that they acted in bad faith, or not within their duties, or not pursuant to the provisions of any law or the Deed of Trust; and/or (2) they were negligent in a manner that could not be exempted by law; and/or (3) they acted maliciously – the Parties Entitled to Indemnification will be immediately entitled, upon their demand, to payment of the ‘Indemnification Undertaking’ amount. However, to the extent that it is determined in a conclusive judicial decision that they acted as contended against them, the Parties Entitled to Indemnification will reimburse the ‘Indemnification Undertaking’ amounts, paid to them.
- 25.3 Subject to the provisions of Sections 25.1 above and without prejudice to the rights of compensation and indemnification, granted to the Trustee under the Law and/or within the obligations of the Company and the Debenture Holders under this Deed, the Parties Entitled to Indemnification will be entitled to receive indemnification out of the funds received by the Trustee, resulting from the proceedings assumed by it and/or in any other manner under this Deed, with respect to the undertakings assumed by them concerning reasonable expenses, incurred in consequence of the execution of the trusteeship or in connection with such actions, that in their view were reasonably necessary for actions stated above and/or in connection with the exercise of the powers and authorizations granted by virtue of this Deed and the law, as well as in connection with various legal proceedings, opinions of attorneys and other experts, negotiations, deliberations, expenses, repayment proceedings, collection proceedings, debt settlements, assessment of the debt situation, valuations, payments to the Trustee, as well as claims and demands with respect to any matter and/or act carried out and/or not carried out in any manner whatsoever with respect to the stated above, and the Trustee will be able to retain the monies in its possession and pay from them the amounts required for payment of the indemnification and its fee. All the aforementioned amounts will take priority over the rights of the Debenture Holders, subject to the provisions of any law, provided that it was not determined, according to a peremptory judicial decision, that the Trustee acted in bad faith or in contrast with the duties imposed on it, under the provisions of any law this Deed. For the purpose of this section, any activity of the Trustee that was approved by the Company and/or the Debenture Holders will be deemed as an action that was reasonably required.
- 25.4 Without derogating from the validity of the indemnification undertaking, as per Section 25.1 above, as long as the Trustee is obligated under the terms of the Deed of Trust and/or under the Law and/or the instruction of a competent authority and/or under the provisions of any law and/or at the requirement of the Debenture Holders and/or the requirement of the Company to carry out any action whatsoever, including but not only the

commencement of proceedings or the filing of claims, according to the requirement of the Debenture Holders, as stated in the Deed of Trust, the Trustee may refrain from taking any such action until it obtains, to its satisfaction, a deed of indemnification from the Debenture Holders or any of them, and if the action is carried out according to a requirement of the Company – from the Company, with respect to any liability for damage and/or expenses that could be incurred by the Parties Entitled to Indemnification in consequence of carrying out such an action and/or a monetary deposit to cover the Indemnification Undertaking (“**Financing Cushion**”) in the amount required, as the first priority from the Company, and in the event the Company does not deposit the Financing Cushion on the date, that it was requested to do so by the Trustee, the Trustee will approach the Debenture Holders, holding the Debentures on the Effective Date (as stated in Section 25.7 below) with a request that they will deposit the Financing Cushion amount, each according to its relative share (as this term is defined below). In the event, that the Debenture Holders do not actually deposit the entire amount of the Financing Cushion, the Trustee will not be under any duty to take any action or any relevant proceedings. Nothing stated above will exempt the Trustee from taking any urgent action required in order to prevent any substantive detrimental injury to the rights of the Debenture Holders.

The Trustee is authorized to determine the amount of the Financing Cushion and it may further act in order to create an additional cushion, from time to time, according to the amount determined by it.

The Indemnification Undertaking:

- 25.4.1 **Applying to the Company** in any event of (1) actions executed at the discretion of the Trustee and/or under the provisions of any law and/or that were required to be executed under the terms of the Deed of Trust and/or for the protection of the rights of the Debenture Holders (including on account of a demand of a Holder for such protection) and (2) actions performed and/or required to be performed at the demand of the Company.
- 25.4.2 **Applying to the Holders** on the Effective Date (as stated in Section 25.7 of the Deed of Trust) in any event of (1) actions performed and/or required to be performed at the demand of the Debenture Holders (excluding such actions that were taken at the demand of the Debenture Holders for the protection of the rights of the Debenture Holders, which under application of Section 25.4.1(1) above); and (2) non-payment by the Company of any amount of the Indemnification Undertaking, for any reason whatsoever. It should be clarified that a payment pursuant to subsection (2) above will not derogate from the duty of the Company to bear the Indemnification Undertaking, pursuant to the provisions of Section 25.4.1.
- 25.5 In any event whereby: (a) the Company does not pay the amounts demanded to cover the Indemnification Undertaking and/or deposit the amount of the Financing Cushion, as the case may be; and/or (b) the duty of indemnification applies to the Holders by virtue of the provisions of Section 25.4.2 of the Deed of Trust and/or the Holders were called to deposit the amount of the Financing Cushion under Section 25.4 of the Deed of Trust, the following provisions will apply:



The amounts will be collected in the following manner:

25.5.1 First - the amount will be financed out of the monies of the interest and/or Principal that the Company is required to pay to the Debenture Holders after the date of the required action, and the provisions of Section 12 of the Deed of Trust will apply;

25.5.2 Second - to the extent that the Trustee is of the opinion that the amounts deposited in the Financing Cushion will not be sufficient to cover the Indemnification Undertaking, the Holders on the Effective Date (as stated in Section 25.7 of the Deed of Trust) will each deposit the lacking amount according to its relative share (as this term is defined hereunder) with the Trustee. The amount that each Holder will deposit will bear annual interest at a rate equal to fixed interest on the Debentures (as stated in the First Addendum) and will be paid according to the priorities stated in Section 11 of the Deed of Trust.

**“Relative Share”** means: the relative share of the Debentures held by the Holder on the relevant Effective Date as stated in Section 25.7 of the Deed of Trust from the par value in circulation at such time. It is clarified that the calculation of the Relative Share will remain fixed, even if after said date, there will be a change in the par value of the Debentures in the possession of the Holder.

It should be clarified that the Debenture Holders, bearing liability to cover such expenses, as per this Section, will be able to bear such expenses beyond their Relative Share, and in such case the priority of reimbursement of such amounts will apply according to that stated in Section 11 of this Deed.

25.6 The Effective Date for determination of the liability of the Holder with respect to the Indemnification Undertaking and/or payment of the Financing Cushion is as follows:

25.6.1 In any event where the Indemnification Undertaking and/or payment of the Financing Cushion is required on account of a decision, or an urgent action required in order to avoid any substantive injury to the rights of the Debenture Holders, without any prior resolution of the meeting of Debenture Holders - the Effective Date for the liability is the end of the Trading Day on the date of taking the action or adoption of the resolution, and if the same day is not a Trading Day, then the preceding Trading Day.

25.6.2 In any event that the Indemnification Undertaking and/or the payment of the Financing Cushion is required under a resolution of the meeting of Debenture Holders – the Effective Date for the liability will be the date set for participation in the meeting (as this date was determined in the notice of invitation) and it will also apply to a Holder that was not present or did not participate in the meeting, if and to the extent it was determined that the Holders will bear the indemnification.

25.7 The payment by the holders in lieu of the Company of any amount, which is imposed on the Company according to this Section 25, may not release the Company from its liability to bear said payment. In the matter of priority of

reimbursement to holders, who bore payments, as per this section, out of the receipts of the Trustee see Section 11 of the Deed of Trust.

26. **Expense Cushion**

- 26.1 Without derogating from the provisions of Section 25 of the Deed of Trust, the Company will deposit with the Trustee on the Settlement Execution Date (according to its definition in the Settlement Plan), an amount equal to NIS100 thousand in the Expenses Cushion Account (as defined below), which will serve for the purpose of securing the payment of ongoing expenses and the management expenses of the Trustee in the event that the Debentures are called for immediate repayment and/or in the event that the Company is in breach of the provisions of the Deed of Trust (hereinafter and heretofore, the “**Expenses Cushion**”).

It is clarified that the expenses will be paid by the Company, while the Expense Cushion account will serve for securing these payments, and the Trustee will be entitled to utilize the Expense Cushion for the aforementioned purposes, according to its discretion. The Company may not instruct the Trustee to use the funds in the Expense Cushion for the execution of any payments whatsoever.

- 26.2 The amount of the Expenses Cushion will be held in the cushion account until the full and final payment of the Debentures. After receipt of approval from the most senior corporate officer of the Company in the financial area concerning full payment of the Debentures, the Expenses Cushion (together with all profits accumulated with respect thereto) will be transferred to the Company, to the extent that it was not used, according to the details conveyed by it in writing to the Trustee.
- 26.3 Nothing stated above may exempt the Company from bearing the aforementioned expenses in an ongoing manner also in the event the Debentures are called for immediate payment and/or in the event the Company is in breach of the provisions of the Deed of Trust. In the event the Company does not bear the ongoing expenses and management expenses of the Trustee for any reason whatsoever, the Trustee may use the funds in the Expenses Cushion for payment of such expenses, without having to obtain the approval of the Company or the Debenture Holders.
- 26.4 In the event that the amount of the Expenses Cushion is insufficient for the purpose of covering the Trustee's expenses in connection with a call for immediate payment of the Debentures and/or if the Company is in breach of the provisions of the Deed of Trust, the Trustee will act pursuant to that stated in Section 25.4 above.
- 26.5 “**Expenses Cushion Account**” - an account, which will be opened in favor of the Trustee in trust for the Debenture Holders only with Bank [●] and also an account, which will replace said account, and also if its identifying mark shall change due to any cause whatsoever. The Trustee will have exclusive rights of signature in this account. All the costs of opening the account of the Expense Cushion, its management and closing will apply to the Company. The policy of

investment of the Expense Cushion and its execution shall be carried out by the Trustee, as stated in Section 18 above. The Trustee will not be liable toward the holders of the debentures and/or toward the Company for any loss caused in consequence of the investments, as stated;

- 26.6 It should be clarified, that the rights of the Company (if any) in the account of the Expense Cushion are not mortgaged in favor of the Trustee and/or the Debenture Holders. Therefore, there could be a situation whereby whatever third party (including an officer on behalf of the court and the like) will contend that the funds held in the account of the Expense Cushion belong to the Company and/or to all its creditors and not to the Holders of the Debentures (Series G) only.

27. **Notices**

- 27.1 Any notice on behalf of the Company and/or the Trustee to the Debenture Holders will be given by reporting on the MAGNA system of the Securities Authority; (the Trustee may order the Company and the Company will be obligated to place without delay on the MAGNA system, in the Trustee's name, any report as drafted in writing and transmitted by the Trustee to the Company), and in the cases specified below only, by an announcement published in two widely circulated daily newspapers published in Israel in the Hebrew language: (a) an arrangement or Settlement pursuant to Section 350 of the Companies Law, 5759-1999 or a similar proceeding, handled according to the law, relevant to the Company; (b) a merger. Any notice published or conveyed, as stated above, will be deemed to have been delivered to the Debenture Holders on the date of its publication, as stated above (on the MAGNA system or the press, as the case may be).

Copies of notices given by the Company to the Holders will also be sent by it to the Trustee. It is hereby clarified that notices, as stated above, do not include ongoing reports of the Company to the public through the MAGNA. Copies of notices given by the Trustee to the Holders will also be sent by it to the Company. Publication of notices on the MAGNA system, as stated above, will release the publishing party from the need to send them to the other party.

- 27.2 In the event that the Company shall cease to report, according to Chapter F of the law, any notice on behalf of the Company and/or the Trustee to the Debenture Holders will be given by way of delivery of the notice on registered mail to any registered Debenture Holder, according to its recent address, registered on the Ledger of Debenture Holders (in the event of joint holders – to the joint holder whose name appears first in the Ledger). Any notice conveyed, as stated, shall be regarded as if it was delivered to the Debenture Holders upon the lapsing of three business days from its delivery by way of registered mail. The Company will also see to the publication of an ad in two widely circulated dailies in the Hebrew language.

- 27.3 Copies of notices given by the Company to the Holders will also be sent by it to the Trustee. It is hereby clarified that notices, as stated above, do not include ongoing reports of the Company to the public through the MAGNA. Copies of notices given by the Trustee to the Holders will also be sent by it to

the Company. Publication of notices on the MAGNA system as stated above will exempt the publishing party from the need to send them to the other party.

27.4 Any notice or demand by the Trustee to the Company may be given by registered mail or by courier according to the address specified in the Deed of Trust, or according to any other address of which the Company notified the Trustee in writing, or via email, facsimile or by advertising it on MAGNA. Any notice or demand sent by registered mail will be deemed to have been received by the Company on the day on which it was delivered to the addressee according to the postal registries. Any such notice or demand sent by courier or by way of publication of a report on the MAGNA system will be deemed to have been received by the Company on the first Business Day following the date of its delivery to the Company or its publication on the MAGNA system, as the case may be. Any notice or demand sent via facsimile (together with confirmation of its receipt by telephone) will be deemed to have been received by the Company upon its confirmation by telephone. Any notice sent by email will be deemed to have been received by the Company within one Business Day after its passing.

27.5 Any notice or demand by the Company to the Trustee may be given by registered mail or by courier, according to the address of the Trustee, specified in the Deed of Trust, or according to any other address of which the Trustee notified the Company in writing, or via email or facsimile. Any such notice or demand sent by registered mail will be deemed to have been received by the Trustee on the day on which it was delivered to the Trustee according to the postal registry. Any such notice or demand sent by courier will be deemed to have been received by the Trustee on the first Business Day following the date of its delivery to the Trustee. Any notice or demand sent via facsimile (together with confirmation of its receipt by telephone) will be regarded as if it was received by the Trustee upon its confirmation by telephone. Any notice sent by email will be deemed to have been received by the Trustee within one Business Day after its dispatch.

28. **Waiver, Settlements and/or Amendments to the Terms of the Deed of Trust**

28.1 The Trustee may, from time to time and at any time, if it is convinced that it will not, in its opinion, prejudice the rights of the Debenture Holders, **waive any breach or non-performance of any of the terms of the Debentures or this Deed by the Company**, except (1) in relation to the dates and payments set forth in the terms and conditions of the Debentures, including the interest rate and repayment conditions of the Debentures; (2) causes for immediate repayment of the Debentures.

28.2 Subject to the provisions of the Law and according to a prior approval by way of a Special Resolution at a meeting of the Holders, the Trustee may, either before or after the Principal of the Debentures becomes due, enter into a Settlement with the Company concerning any right or claim of the Debenture Holders, and agree with the Company on any Settlement concerning their rights, including waiver of any right or claim of the Debenture Holders against the Company.

- 28.3 In the event that the Trustee settled with the Company, waived any right or claim of the Debenture Holders or any of them or agreed with the Company on any arrangement of rights of the Debenture Holders, after receiving an early approval from the meeting of Debenture Holders, as stated above, the Trustee will be released from any liability with respect to such an action, as approved by the general meeting, so long as it was not determined in an peremptory judicial decision that the Trustee breached the fiduciary duty and acted in lack of good faith or maliciously in the implementation of the decision of the meeting of the Debenture Holders.
- 28.4 Subject to the provisions of the Law, the Company and the Trustee may, either before or after the Principal of the Debentures becomes due, amend the Deed of Trust, including its appendices and/or the terms of the Debentures, if any of the following is satisfied:
- 28.4.1 The Trustee was convinced that the amendment is not prejudicial to the Debenture Holders, with the exception of (1) a change in the Trustee's identity or its fee or the appointing of a trustee in lieu of a Trustee whose office has terminated; (2) dates and payments, based on the terms and conditions of the Debentures, including the interest rate, payment conditions of the Debentures; and (3) the causes for immediate payment of the Debentures.
- 28.4.2 The proposed amendment was approved by the Debenture Holders as a Special Resolution.
- 28.5 The Company will pass to the Debenture Holders a written notice of any amendment, as specified in Section 28.1 and 28.4 above, without delay, as soon as possible after its execution.
- 28.6 In any case in which the Trustee exercises its rights under this Section, the Trustee will be entitled to demand that the Debenture Holders deliver their Debenture Certificates to the Trustee or to the Company, for the purpose of recording a notice therein regarding any such Settlement, waiver, amendment or change, as stated above, and according to the Trustee's demand, the Company will record such notice in the Certificates to be delivered to it.
- 28.7 Without derogating from that set forth above, the terms of the Debentures are subject to changes, both within the context of an arrangement or Settlement, as approved by the court, in accordance with Section 350 of the Companies Law.

29. **Ledger of Debenture Holders**

In accordance with the provisions of Sections 35h2 and 35h3 of the Securities Law, the Company will keep a ledger of Debenture Holders at its registered offices (the "**Ledger**"), in accordance with the provisions of the Securities Law, which is open for the inspection of any person.

The Company is not obligated to register in the Ledger of Debenture Holders any notice concerning an explicit, implied or contemplated trusteeship, or a pledge or

encumbrance of any nature whatsoever, or any equitable right, claim or set-off or any other right, concerning the Debentures. Only the title of the person in whose name the Debentures of said series are registered will be acknowledged by the Company, provided that the legal heirs, executors or administrators of the estate of the registered owner and any person entitled to the Debentures due to bankruptcy of any registered owner (and if it is a corporation – due to its liquidation) could register as the owner thereof, after presenting proof thereof, that the Company deems sufficient, in order to substantiate the right of any of them to be registered as the owner thereof. The provisions of the Company's Articles of Association concerning registration in the Shareholders Ledger, acknowledgment of heirs, executors and guardians of a deceased shareholder, concerning joint holders of shares and concerning notices to shareholders will also apply, *mutatis mutandis*, to the Debenture Holders.

30. **Release**

As it is proven to the Trustee's satisfaction that all of the Debentures have been paid-off or redeemed or when the Company deposits in trust with the Trustee funds which would suffice for redemption of all the Debentures, and when it is proven to the Trustee's satisfaction that all the undertakings and expenses made or incurred by the Trustee and/or its agents in connection with this Deed and according to its provisions have been paid in full - then the Trustee will be obligated, according to the first requirement of the Company, to act with the funds that were deposited with the Trustee for the Debentures, whose redemption has not been called, in accordance with the provisions set forth in this Deed.

31. **Appointment of a New Trustee and the Expiration of the Trustee's Office**

31.1 The provisions of the Securities Law will apply to the termination of the Trustee's office.

31.2 Notwithstanding that stated above, a resolution of the Holders on the termination of the Trustee's office and its replacement by another will be carried out at the meeting of the Debenture Holders, where Holders of at least fifty percent (50%) of the remaining par value of the Debentures in circulation on the date scheduled for the meeting were present, in person or by proxy, or at an adjourned meeting of such a meeting at which the Holders of at least ten percent (10%) of the stated above balance were present in person or by proxy, which was adopted (either at the original meeting or at the adjourned meeting) by a majority of at least seventy five percent (75%) of the votes of those participating in the vote, with the exclusion of abstainers.

31.3 The Trustee may resign from its office at all times, after giving a written notice to the Company one month in advance, while specifying therein the causes for its resignation. The Trustee's resignation will enter into effect only after it has been approved by the court and from the date determined for this purpose by the court in its aforementioned approval.

31.4 The Securities Authority may file an application with the court to terminate the Trustee's office in accordance with the provisions of Section 35n of the Securities Law or any other provision replacing it.

31.5 The Trustee will cease holding its office, if it becomes evident that it is precluded from continuing to hold office, due to a change in the provisions of the Law and/or the law applicable to its eligibility to act as a trustee, including an event in which such impediment relates to the listing of the Debentures on the Stock Exchange. "Impediment" for this purpose will also include a demand on the part of the Securities Authority to terminate the Trustee's office.

31.6 Subject to the provisions of any law, a Trustee whose office has expired will continue to hold office until another Trustee is appointed. The Trustee will transfer to the new Trustee all the documents and amounts that have accumulated with it in connection with the trusteeship, subject of the Deed of Trust, and will sign any document required for this purpose. Each new Trustee will have the same powers, authorizations, duties and authorities and it will be able to act for all intents and purposes as if it had been appointed as a Trustee *ab initio*.

31.7 The Company will publish an immediate report in the event of the Trustee's resignation and/or the appointment of another Trustee.

32. **Meetings of Debenture Holders**

Meetings of Debenture Holders will be conducted, as specified in the Second Addendum to this Deed.

33. **Reporting by the Company to the Trustee**

The Company will deliver to the Trustee, for as long as the Debentures have not been paid off in their entirety:

33.1 Not later than the date prescribed for public companies by law for their publication, regardless of the legal status of the Company: whether the company is a public company, a debenture company or a private company:

33.1.1 Audited and consolidated annual financial statements of the Company for the fiscal year ending December 31 of the previous year and periodic reports, immediately after their publication.

33.1.2 Any interim financial report and any reviewed and consolidated quarterly statement of the Company, immediately after its publication, together with an auditor's report concerning the same.

33.2 Any immediate report - immediately upon its publication.

33.3 Shortly after publication of the annual financial statements of the Company, not later than April 10 of each year and for as long as this Deed is in effect, the Company will furnish the Trustee with an approval signed by a senior officer of the Company, attesting to the fact that during the period commencing on the date of the Deed and/or the date of the previous approval provided to the Trustee, whichever is the latter, and ending on the date of the approval, the Company has not been in breach of this Deed (including breach of the terms of the Debenture), unless specifically stated otherwise.

Unless stated otherwise, reports of the Company on the MAGNA system will be deemed as if they were delivered to the Trustee.

The approvals to be granted by the Company to the Trustee, as stated above in this Section 33, will be signed by the authorized signatories of the Company, who are corporate officers.

34. **The Trustee's Fees**

34.1 The Company will pay the Trustee fees for its services, in accordance with the provisions of this Deed of Trust, from its entrance into validity, as herein specified:

The Trustee will be paid an annual fee of NIS 32,000 for each year of trust or a part thereof.

34.1.1 Subject to the provisions of the Deed of Trust, the Trustee will be entitled to be reimbursement for the costs and expenses incurred by it in the carrying out of its duties and/or by virtue of the powers vested in it by law and under this Deed of Trust including (but not limited to-) announcements in newspapers and expert opinions, provided that with respect to the costs of an expert opinion, as specified in Section 23 of the Deed of Trust, the Trustee gives the Company prior notice of its intention to obtain an expert opinion.

34.1.2 In addition, the Trustee will be entitled to receive a payment of fees at the rate of NIS 600 for every hour of work required for special actions, which the Trustee will execute within the framework of his function (subject to the provisions of the Deed of Trust), including:

34.1.2.1 Actions arising from a breach or a fear of breach of the provisions of this Deed by the Company;

34.1.2.2 Actions concerning the call for an immediate payment of any Debentures and/or actions concerning a resolution of a meeting of Debenture Holders to call the Debentures for an immediate repayment;

34.1.2.3 Special actions, which it will be required to carry out for the purpose of fulfilling its duties under this Deed in connection with the rights of the Debenture Holders and in order to protect them, including due to failure of the Company to meet its obligations according to this Deed, and including convening of meetings of Debenture Holders as specified in this Deed, and also due to the participation in meetings of Debenture holders;

34.1.2.4 Special works (including, but not limited to work that is required due to a change in the Company's structure or work at the Company's demand) or due to the need to carry out additional actions to fulfill its position as a



reasonable Trustee, due to future changes in the laws and/or regulations and/or other binding provisions applicable to the actions of the Trustee and its liability under this Deed of Trust;

- 34.1.2.5 Actions concerning the registration or deletion from registration of securities in any registry kept and managed under law (including abroad), and also examination, supervision, control, enforcement and other obligations (such as, limitations on the Company's freedom of operation, a pledge on assets etc.) assumed or to be assumed by the Company or by anyone on its behalf or in its favor, in connection with securing the other obligations of the Company or anyone on its behalf (such as making payments in accordance with the terms of the Debentures) to the Debenture Holders, including with respect to the nature of the terms of the collateral and obligations, as stated above, and the realization thereof.
- 34.1.3 For each shareholder meeting in which the Trustee participates, including its presence in a shareholder meeting, which was not opened due to lack of lawful quorum, the Trustee will be paid additional fees of NIS 750 per meeting.
- 34.1.4 Subject to the provisions of the Deed of Trust, the Trustee will be entitled to reimbursement of expenses, incurred by it within the process of execution of its function and/or on the strength of the authorities vested in it by law and according to the Deed of Trust, including (but not only) ads in newspapers and expert's opinions, so long as the expenses of such an expert's opinion are as specified in Section 23 of the Deed of Trust. The Trustee, to the extent possible, will pass to the Company an early notice with respect to its intention to receive an expert's opinion.
- 34.1.5 It is hereby clarified that in the event that due to future changes in the laws and/or regulations and/or other binding provisions applicable to the actions of the Trustee, the Trustee will incur additional costs for the purpose of fulfilling its position, as a reasonable trustee, the Company will indemnify the Trustee for such reasonable costs, including its reasonable fees.
- 34.1.6 VAT will be added to each amount and be paid by the Company.
- 34.1.7 The Trustee's fees and reimbursement of expenses will be paid for the period until the termination of the trusteeship under this Deed, even if a receiver and/or special manager and/or any other appointment on behalf of and under supervision of the court were appointed to the Company, or whether or not the trusteeship under this Deed is conducted under the supervision of the court.

- 34.1.8 The above annual fees will be paid in the beginning of each trusteeship year.
- 34.1.9 All of the sums specified in this Section 34 will have priority over funds, due to the Debenture Holders.
- 34.1.10 In the event that collateral is added, the parties will discuss updating of the fee.
- 34.2 All the amounts in this Appendix are positively linked to the consumer price index with the base index being the index published on July 15, 2016. In order to remove any doubt, It is further clarified that in any event when an amount is linked to the consumer price index in accordance with the provisions of this section, the linked amount will not fall below the nominal amount set forth in this Deed. Without derogating from that stated above, if according to the provisions of any law, the Company is obligated to make a deposit, in order to secure the fulfillment of its obligation to bear the special expenses of the Trustee, the Company will act in accordance with such provisions.
- 34.3 The Company will bear any payment and/or expense involving the debentures, from their issuance until their final payment. These expenses, *inter alia*, include the fee of service providers, e.g. attorneys, underwriters, trustees, economic consultants, etc., if such services are retained, including taxes and fees, which are not imposed on the debenture holder on the strength of the law and all subject and according to the provisions of this Deed of Trust.

35. **Application of the Law and Exclusive Jurisdiction**

This Deed of Trust and its Appendices are governed by the Israeli law. The courts of Tel Aviv-Jaffa District are vested with the sole and exclusive jurisdiction over any dispute concerning this Deed of Trust.

In any matter, which not mentioned in this Deed, and also in any event of discrepancies between the provisions of the law, which cannot be stipulated, and this Deed, the parties shall act according to the provisions of the Israeli Law. In addition, in any event of discrepancy between the provisions described in the prospectus in connection with this Deed and/or the Debentures and/or the Settlement - the provisions of this Deed shall prevail.

The Company will not object to an application of the Trustee, which is filed with an Israeli court, pursuant to application of the Israeli Law in the matter of Settlement or insolvency in connection with the Company, if any;

the Company will not urge in its initiative a proceeding of insolvency, according to a foreign law, under a jurisdiction which is not Israel, prior to the passing of a 7 day notice to the Trustee.

Furthermore, the Company will not raise contentions against the local jurisdiction of the courts in Israel, in connection with proceedings against the Company, filed by the Trustee

36. **General**

36.1 Without derogating from the other provisions of this Deed and the Debentures, any waiver, extension, discount, silence, failure to act (hereinafter, all of them jointly: " **Waiver**") by the Trustee concerning any non-fulfillment or partial or erroneous fulfillment of any of the Company's obligations under this Deed and the Debentures, will not be deemed as a Waiver by the Trustee of any right whatsoever, but rather as a consent limited to the special circumstances under which it was given. Without derogating from the other provisions of this Deed and the Debenture, any change in the Company's undertakings is subject to the Trustee's prior written consent. Any other consent, either verbally or by way of a waiver and refraining from action or in any other way, other than in writing, will not be viewed as any consent whatsoever. The rights of the Trustee under this Agreement are independent of each other and come in addition to any other right, which is or will be vested upon the Trustee under the provisions of any law and/or agreement (including this Deed and the Debentures).

37. The Trustee may rely, within the framework of its trusteeship, on any written instrument, including a letter of instructions, notice, request, consent or approval, perceived to be signed or issued by any individual or entity, which the Trustee believes in good faith that it was signed or issued by it.

38. **Addresses**

The addresses of the parties will be as specified in the Preamble to this Deed or any other address in respect of which proper notice in writing is given to the other party.

39. **MAGNA Authorization**

In accordance with the provisions of the Securities (Electronic Signature and Reporting) Regulations 5763-2003, the Trustee hereby authorizes the authorized party on behalf of the Company to electronically report to the Securities Authority of its signature on this Deed of Trust.

40. **Other Agreements**

Subject to the provisions of the law and the restrictions imposed on the Trustee by law, the fulfillment of the position of the Trustee, as per this Deed, or its mere status as a trustee, may not prevent it from committing with the Company in various contracts or executing transactions with it within the normal course of its business affairs.

41. **Liability of the Trustee**

41.1 Notwithstanding anything stated in any law and in the Deed of Trust, a trustee which acted pursuant to the fulfillment of its position in good faith

and has inquired into the facts, as a reasonable trustee would have done under the circumstances, will not be liable toward the Debenture Holders in its capacity as the Trustee, for any damage incurred by them as a result of the Trustee's exercise of its discretion in accordance with the provisions of Section 35h(d1) or 35h(d1) of the Law, unless the plaintiff proves that the Trustee acted in gross negligence. It is clarified that if any contradiction arises between the provisions of this Section and any other provision of the Deed of Trust, the provisions of this Section will prevail.

- 41.2 In the event the Trustee acted in good faith and without negligence, in accordance with the provisions of Section 35h(d2) or 35h(d3) of the Law, it will not be liable due to the execution of an action, as stated above.

In Witness Whereof the parties have set their hands for signature

\_\_\_\_\_  
**MirLand Development Corporation Plc**

\_\_\_\_\_  
**Mishmeret - Trusts Services Company Ltd.**

**Approval of the Attorney for the Company**

I, the undersigned, [●] Adv. hereby approves that this Deed of Trust was lawfully signed by MirLand Development Corporation Plc (hereinafter: the "**Company**") according to its articles, by means of Messrs. [●] [name + position] and [●] [name + position], whose signatures are binding upon the Company in connection with this Deed.

\_\_\_\_\_  
[●] Adv.

**MirLand Development Corporation Plc.**  
**First Addendum**  
**Debenture Certificate (Series G)**

A debenture is hereby issued, payable in 3 equal payments on December 31 of 2021, 2022 and 2023, bearing an annual interest as, specified below.

**Debentures Registered to Name of the Holder**

Number: 1

Par value of this Debenture: [●] NIS

Annual interest rate: [●]

The registered holder of this Debenture: [●]

1. This is to certify that MirLand Development Corporation Plc. (the "**Company**") will pay the Registrations Company of Bank Hapoalim Ltd. or any other registered holder of this Debenture (the "**Debenture Holder**") on December 31 of each of the years 2021-2023 (inclusive) [●]% of the par value of this Debenture and the last payment on the date of December 31, 2023, of [●]% of the par value of this debenture, and all subject to the Deed of Trust, dated, [●] 2016 (the "**Deed of Trust**") which was signed between the Company of the first part and [●] (the "**Trustee**") and all other terms, specified overleaf.
2. This Debenture bears interest according to an annual interest rate, specified above, payable on such dates and in accordance with such other terms, as specified overleaf. The Debentures are not linked.
3. The last payment will be made against the delivery of the Debenture Certificate to the Company at its registered office or any other place of which the Company shall give notice on the payment date. A notice in this respect will be conveyed not later than within five business days before its payment date in accordance with the terms of the Debentures.
4. This Debenture is issued as part of a series of Debentures, issued under terms identical to the terms of this Debenture, which is issued in accordance with the Deed of Trust. It is hereby clarified that the provisions of the Deed of Trust will constitute an integral part of the provisions of this Debenture, binding upon the Company and the Debenture Holders included in the above series. In any event of discrepancy between that stated in this certificate and that stated in the Deed of Trust, the provisions of the Deed of Trust shall supersede.
5. The Debentures are not secured through any pledge. The Company may create pledges to secure the Debentures, in accordance with the provisions of the Deed of Trust.
6. All of the Debentures of this series will security-wise rank equally among themselves (*pari passu*) and neither shall have a priority or preference right over the other.
7. This Debenture is issued subject to the terms overleaf and subject to the terms specified in the Deed of Trust and in the Prospectus.

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**MirLand Development Corporation Plc**

Signed on \_\_\_\_\_

**Approval of the Attorney for the Company**

I, the undersigned, [•] Adv. hereby approves that this Debenture Certificate was signed by MirLand Development Corporation Plc (hereinafter: the "**Company**") according to its articles, by means of Messrs. [•] [name + position] and [•] [name + position], whose signatures are binding upon the Company in connection with this Deed.

\_\_\_\_\_  
[•] Adv.

## **The Terms Specified Overleaf**

### **1. General**

- 1.1 The terms used in this Debenture, which were defined in the Deed of Trust, shall bear the meaning related to them according to the Deed of Trust. The conditions of the debentures, specified in this Addendum constitute an integral part of the provisions of the Deed of Trust, whereby the provisions of the Deed of Trust will be regarded as if they were explicitly included in the conditions of these Debentures.
- 1.2 This Debenture constitutes part of a series of Debentures registered to the name of the holder thereof.
- 1.3 The Debentures of this series will security-wise rank equally among themselves (*pari passu*) in respect of the Company's obligations under the Debentures and neither one of them shall have a priority or other preference right over the other.
- 1.4 This Debenture is payable in three equal annual installments, payable on December 31 of each of the years of 2021, 2022 and 2023, bearing interest at an annual rate, as specified in Section 3 below. The Principal of the Debentures and the interest thereon are not linked.

### **2. Principal Payment Date of the Debentures**

The principal of this debenture is payable in three equal annual installments, on December 31 of each of the years 2021, 2022 and 2023.

### **3. Interest**

- 3.1 The principal of the Debentures (Series G) will bear 1% fixed annual interest rate.
- 3.2 **The Interest for the Period from the Issuing Date of the Debentures until December 31, 2017**  
The interest for the period from the issuing date of the debentures (on[•] 2016) until December 31, 2017 (inclusive) will be accumulated, without compound interest, and be paid in a single payment on December 31, 2017, calculated according to the number of days during this period on the basis of 365 days per annum.
- 3.3 **The Interest for the Period from January 1, 2018 until December 31, 2023**  
The interest for the period from January 1, 2018 until December 31, 2023 (inclusive) will be paid to the holders of the Debentures (Series G) once per annum on December 31 of each of the years 2018-2023 (inclusive) for the period from January 1 until December 31 of each year (of the years 2018-2023).
- 3.4 A tax which should be withheld at source according to any law, if any, will be deducted out of all the interest payments.

#### 4. Payment Table (Principal and Interest) of the Debentures

The annual interest rate and principal are paid from [•] [the Settlement Execution Date] until full payment of the debentures on December 31, 2023 (inclusive) is as follows:

Payment Date	Principal's Payment Rate	Principal's Effective Date	Interest's Payment Rate	Interest's Effective Date
Dec. 31, 2016	-	-	-	-
Dec.31, 2017	-	-	[•]%	[•]
Dec.31, 2018	-	-	1%	[•]
Dec.31, 2019	-	-	1%	[•]
Dec.31, 2020	-	-	1%	[•]
Dec.31, 2021	33.33%	[•]	1%	[•]
Dec.31, 2022	33.33%	[•]	1%	[•]
Dec.31, 2023	33.33%	[•]	1%	[•]

#### 5. Debentures' Principal and Interest Payments

- 5.1 Payments on account of the principal of the Debentures will be made to the persons whose names will be registered in the Ledger of Debenture Holders upon the dates, specified in Section 4 above, with the exception of the last payment of the Principal and interest, which will be made against delivery of the Debenture Certificates to the Company on the date of payment, at the registered offices of the Company or any other place of which the Company shall give notice. The notice of the Company, as stated, will be published not later than five (5) business days before the last payment date.
- 5.2 It is hereby clarified that a person, whose name is not registered in Company's Debentures Ledger on the Effective Date, will not be entitled to receive interest payments for the interest period, which commences before such date.
- 5.3 If any payment on account of the Principal and/or interest is due on a day which is not a business day, the payment date will be postponed to the first business day thereafter, without any additional payment, and the "Effective Date" for the purpose of determining the entitlement for redemption or interest will not be changed as a result thereof.
- 5.4 Any payment due from the Company with respect to the Debentures is subject to tax withholding at source in accordance with the provisions of the law upon the relevant date.
- 5.5 Any payment on account of the Principal and/or interest which would be paid more than fourteen (14) business days after its due payment date in accordance with the terms of the Debentures, for reasons under control of the Company, will bear arrears interest, commencing from its due payment date until the date of its actual payment. For this purpose, the rate of arrears interest shall mean the Debentures' interest rate plus 3%, on an annual basis, calculated *pro rata* to the period commencing on the due payment date until the date of actual payment or until the date that the Debentures are called for immediate payment, whichever is earlier. The Company will publish an immediate report in respect of the arrears interest within four (4) Trading Days before the Effective Date of the relevant payment (Principal and/or interest), to the extent that the original fixed date was changed and a new fixed date was established (either by the



Company {after receipt of approval of a meeting of holders of the debentures} or by the Trustee) in which it will notify of its rate, the payment date of the aggregate interest for said period including arrears interest, as stated above. If the Effective Date was not changed by the Company and/or the Trustee, the Company shall notify in an immediate report of the updated interest rate, including arrears interest, as stated above, at least four (4) days before the actual payment date.

- 5.6 Payment to registered entitled will be made by check or bank transfer to the bank accounts of the persons, whose names will be registered in the Debentures Ledger, whose details are provided in advance to the Company in writing, in accordance with the provisions of Section 5.7 below. If the Company is unable, for any reason which is not under its control, to make any payment to those who are entitled to receive same, the provisions of Section 5.8 below shall apply.
- 5.7 A registered Debenture Holder will provide the Company with the details of its bank account for the purpose of making payments to such registered Debenture Holder of the same series or of any change in the details of said account or address, as the case may be, by notice sent to the Company on registered mail. The Company will be obligated to act according to the notice of the registered Holder concerning such change after the lapsing of fifteen (15) business days from the date in which the notice of the registered Holder was delivered to the Company.
- 5.8 If a registered Debenture Holder, who is entitled to a payment, as stated above, failed to give the Company, ahead of time, the details of its bank account in which payments should be made under the Debenture in favor of such Holder, then each payment will be made by check sent on registered mail to his last registered address, recorded on the Debentures Ledger. The mailing of a check to a registered entitled through registered mail, as stated above, will be deemed for all intents and purposes as payment of the amount specified therein on the date of its dispatch by mail, as stated above, provided that it was properly cashed upon its due presentment for collection.

**6. Avoidance of Payment for Reason which is Not Under the Company's control**

For details concerning an avoidance of a payment for reasons, which are not under the Company's control, see Section 15 of the Deed of Trust.

**7. Split of Debenture Certificates and Transfer thereof**

- 7.1 The Debentures registered on the Ledger of Debenture Holders of the Company, registered to the name of the holder thereof, may be transferred according to their specified Principal amount, whether in whole or in part, provided that it is executed in whole New Israeli Shekels. Each transfer of Debentures (other than a transfer made by trading on the Stock Exchange) will be made by way of a deed of transfer in an acceptable form, duly signed by the registered Holder or its legal representatives and by the transferee and its legal representatives, and delivered to the Company at its registered offices together with the Debenture Certificates, which is transferred, and any other proof required by the Company to substantiate the transferor's right to execute the transfer. All costs and expenses, involved in the transfer

of the Debentures, including mandatory payments, if any, will be borne by the transferor. If any tax or other mandatory payment applies to a transfer certificate of the Debentures, proof of payment thereof will be delivered to the Company, to the Company's satisfaction. The Company's by-laws applicable to the transfer of fully paid-up shares and the assignment thereof, will apply, *mutatis mutandis*, as the case may be, to the manner of transfer and endorsement of the Debentures. If only a portion of the Principal amount specified in the Debenture Certificate is transferred, the Debenture Certificate should be firstly split up, in accordance with the provisions of Section 7.3 below, into a number of Debenture certificates as may be required, so that all Principal amounts specified in such certificates will equal the Principal amount specified in the above referenced Debenture Certificate. As all of the aforementioned conditions are met, the transfer shall be recorded in the Ledger, and the Company will be entitled to demand that a note concerning such a transfer be recorded on the transferred Debenture Certificate which will be delivered to the transferee or that a new Debenture Certificate would be issued to him *in lieu* thereof, and all terms specified in the Debenture Certificates, being transferred, will apply to the transferee, so that wherever the term "Holder" appears it will be deemed to have been replaced with the term "transferee" and it will be regarded as the "Holder" for the purposes of the Deed of Trust. The Company's by-laws applicable to the transfer of fully paid-up shares and the endorsement thereof, will also apply, *mutatis mutandis*, as the case may be, to the transfer and endorsement of the Debentures.

- 7.2 One certificate shall be issued for all Debentures registered in the name of a single Holder, or, at its request, several certificates could be issued to it (the certificates referred to in this Section will be hereinafter referred to as: the "**Certificates**").
- 7.3 Each Debenture Certificate may be divided into several Debenture Certificates, the aggregate Principal amount of which is equal to the Principal amount of the Certificate, whose division is requested, provided that only a reasonable number of such Certificates are issued. The division will be made against the delivery of such Debenture Certificate to the Company at its registered offices for the purpose of making such division. All costs and expenses involving the division, including taxes and levies, if any, will be borne by the party requesting the division.

#### 8. **Early Redemption**

For details concerning early redemption of Debentures, see Section 6 of the Deed of Trust.

#### 9. **Waiver; Settlement and Amendments to the Terms of the Debentures**

For details concerning the authority of the Company and/or the Trustee to make waivers, enter into Settlements and/or amend the terms of the Debentures and the Deed of Trust, see Section 28 of the Deed of Trust.

**10. Meetings of Debenture Holders**

Meetings of Debenture Holders will be convened and conducted in accordance with the provisions of the Second Addendum to the Deed of Trust.

**11. Receipts as Proof**

See Section 30 of the Deed of Trust.

**12. Replacement of Debenture Certificates**

If a Debenture Certificate is worn out, lost or destroyed, the Company will issue in lieu thereof a new certificate under the same terms. Taxes and other levies, as well as other costs and expenses involved in the issuance of the new certificate, will be borne by the party requesting such certificate (including expenses incurred in connection with substantiation its rights of ownership in the Debenture, and in connection with any indemnification and/or insurance coverage required by the Company, if any, in connection therewith). In the event of wear and tear, the old Certificate will be returned to the Company concurrently and against the issuance of the new Certificate.

**13. Immediate Payment**

The provisions of Section 9 of the Deed of Trust, included in this Addendum by way of reference, will apply to an immediate payment of the Debentures.

**14. Notices**

The provisions of Section 27 of the Deed of Trust included in this Addendum by way of reference will apply to notices.

\* \* \*

**MirLand Development Corporation Plc**  
**Second Addendum**  
**General Meetings of Debenture Holders**

**Convening a Meeting**

1. The Trustee will convene a meeting, pursuant to Section 35b of the Securities Law, as it may be from time to time, which will have on its agenda the issues specified in said section
2. The Trustee or the Company are entitled to summon the Debenture Holders to a meeting of Debenture Holders, at all times. In the event that the Company summoned a meeting of Debenture Holders, it should forthwith pass a notice in writing to the Trustee with respect to the place, date and time of the meeting, and also with respect to the matters that would be discussed in it, and the Trustee or a representative on its behalf will be entitled participate in the meeting, as stated, without having a voting right.
3. The Trustee will convene a meeting of Debenture Holders if it deems fit, or according to a written request of one or more Debenture Holders, holding alone or together, at least five percent (5%) of the balance of the par value of the Debentures in circulation. In the event that those seeking to summon the meeting are the Debenture Holders, the Trustee will be entitled to require from them indemnification for reasonable expenses involved therein.
4. It should be clarified that the indemnification requirement on the part of the Trustee will not hinder the summoning of a meeting, which is summoned for the purpose of taking an action, intended to prevent an injury to the rights of the Debenture Holders, nor will such indemnification requirement derogate from the duty of the Company to bear the expenses involved in the summoning of the meeting.
5. The Trustee will convene a meeting of Holders as specified in Section 2 above within 21 days from the date that a requirement to hold such meeting was delivered to it, scheduled to the date stated in the invitation notice, provided that the date of the meeting will not be seven days earlier nor 21 days later than the date of the invitation notice; However the Trustee will be entitled to precede the date of the meeting, for at least one day after the date of the notice, if it is of the opinion that it is required, in order to protect the rights of the Holders; Having done so, the Trustee will specify the reasons for preceding the date of the meeting in a report concerning the meeting.
6. If the Trustee did not convene a meeting of Holders, in accordance with a requirement of any Holder, within the time period specified in Section 5 above, such an Holder may convene the meeting, provided that the meeting is held within 14 days from the end of the period during which the Trustee may convene the meeting, and the Trustee will bear the costs incurred by the Holder in connection with having the meeting convened.
7. According to Section 35I6 of the Securities Law (as it may be in effect from time to time), if a meeting of Holders was not convened, as specified in the aforementioned section, the court is entitled, at the request of a Holder, to order that such a meeting will be convened.

In the event that the court ordered, as stated above, the Trustee will bear the reasonable costs expended by the applicant within the court proceeding, as instructed by the court.

In the event that there is no practical way to convene or hold a meeting of Holders in the manner prescribed for that purpose in the Deed of Trust or by law, the court 6

is entitled - at the request of a Debenture Holder, who is entitled to vote in the meeting or at the request of the Trustee – to order that the meeting will be convened and held in the manner established for that purpose by the court, and it may issue supplementary instructions for that purpose, as it may deem fit.

#### **Defects in Convening the Meeting**

8. The court is entitled, at the request of a Holder, to order the cancellation of a resolution adopted by a meeting of Holders, which was convened or held without inconsistently with the terms prescribed for that purpose by law or this Deed.
9. If the defect in the invitation notice pertains to the place or time of the meeting, a Holder who came to the meeting, notwithstanding the defect, will not be entitled to require that the resolution will be revoked.

#### **Notice of a Meeting**

10. Notice of a meeting of Debenture Holders shall be published in accordance with the provisions of the Chapter G1 of the Law ('electronic reporting') and will be delivered to the Company by the Trustee, prior to reporting, according to the regulations promulgated under section 35h1(e) of the Securities Law, if any.
11. The invitation notice shall include the agenda, proposed resolutions and arrangements concerning voting by way of a written instrument, as specified in Sections 27 through 29 (inclusive) below.

#### **Summoning and Agenda of the Meeting**

12. The Trustee will determine the agenda of the Holders meeting, and will include therein issues in respect of which the Holders meeting is required in accordance with Sections 1 and/or 2 and/or 3 and/or 4 above, as well as an issue, requested as specified in Section 17 hereunder.
13. One or more Holders, holding at least five percent (5%) of the balance of the par value of the Series of the Debentures, may request that the Trustee will include an issue in the agenda of a Holders meeting, which will be convened in the future, provided that it is an issue which the Trustee deems that it may be properly discussed in such a meeting as stated above.
14. Resolutions in Holders meetings will be adopted only on issues that were included in the agenda of the meeting.

#### **Place of the Meeting**

15. A Holders meeting shall be held in Israel at a location, as would be notified by the Trustee. The Company shall bear the costs of having the meeting convened, including in any location other than its offices, provided it was given the opportunity to hold the meeting at its offices and the Company refused, or, if under the circumstances, holding the meeting in the Company's offices is unreasonable and the Company was given the opportunity to propose a reasonable location in which the meeting may be held.

#### **The Due Date of Proprietorship of the Debentures**

16. The Holders, entitled to participate and vote in a Holders meeting, are the Holders that are holding Debentures on the date set forth in the resolution that convenes the meeting.

### **Chairman of the Meeting and Minutes**

17. In each and every Meeting of Holders, the Trustee or anyone appointed by him will act as the chairman of the meeting.
18. The Trustee will keep minutes of the meetings of the Debenture Holders and will have such minutes kept at in its registered office for a period of seven (7) years from the date of each meeting. Minutes of the meeting may be by way of recording. Written minutes will be signed by the chairman of the meeting or by the chairman of the subsequent meeting. Each minutes signed by the chairman of the meeting will constitute *prima facie* evidence of the contents thereof, and for as long as it is not proven to the contrary, any resolution taken in such a meeting shall be regarded as if it was lawfully taken. The ledger of minutes will be kept by the Trustee, as stated above, and will be open for inspection by the Holders during work hours, subject to prior coordination, and a copy thereof will be sent to any Holder, which will request it.
19. The Trustee will be entitled to delay the delivery of any minutes to any entity whatsoever, if according to its exclusive discretion, the passing of the minutes, entirely or partially, may injure or bring about an injury to the rights of the Debenture Holders.
20. The statement of the chairman of the meeting that a resolution in a Holders meeting was adopted or rejected, either unanimously or by a certain majority, shall constitute *prima facie* evidence of its contents.

### **Lawful Quorum; An Adjourned or Continued Meeting**

21. A meeting of Debenture Holders shall be opened by the chairman of the meeting after he has determined that the lawful quorum, which is required for any of the issues on the agenda of the meeting, is present, as follows:
  - 21.1 Subject to the lawful quorum, which is required to open a meeting of Debenture Holders, which was convened to discuss a special resolution, in accordance with to the provisions of the Securities Law, which may not be stipulated, and the provisions of the Deed - lawful quorum is formed in the presence of at least two Debenture Holders, in person or by proxy, holding at least twenty five percent (25%) of the voting rights in circulation, within half an hour from the time fixed for the commencement of the meeting, unless the Securities Law or this Deed require otherwise. Notwithstanding, a consultation meeting (as defined in section 45 below) will be held at any number of participants.
  - 21.2 Where there is no lawful quorum present at the Holders meeting, as specified in Section 1.23 above, on the end of half an hour from the time fixed for the commencement of the meeting, the meeting shall be adjourned for a later date, which will not be earlier than two business after the due date for which the original meeting was scheduled or one business day, if the Trustee is of the opinion that it is required to protect the rights of the Holders; If the meeting has been adjourned, the Trustee will specify the reasons for such adjournment in a report concerning the convening of the meeting.
  - 21.3 Where there is no quorum present at the adjourned Holders meeting, as specified in Section 2.23 above, at the end of half an hour from the time fixed for the commencement of the meeting, the meeting shall be held according to any number of participants, unless the Law requires otherwise.

- 21.4 Notwithstanding the provisions of Section 2.23 above, where a Holders meeting is convened at the request of Holders, holding at least five percent (5%) of the balance of the par value of the Debentures in circulation, the adjourned Holders meeting shall be held only if the number of Debenture Holders present, in person or by proxy, is equal to at least the number which is required to hold such a meeting (i.e. at least five percent (5%) of the balance of the Principal).
- 21.5 The lawful quorum required to open a meeting of Debenture Holders, which has on its agenda a special resolution, is formed in the presence of Debenture Holders, in person or by proxy, holding or representing at least fifty percent (50%) of the unpaid par value balance of the Debentures in circulation. If a lawful quorum, as stated above, is not present within half an hour from the time fixed for the commencement of the meeting, the meeting will be adjourned and the provisions of Section 6.23 below shall apply.
- 21.6 The lawful quorum required to open a meeting of Debenture Holders, which has a special resolution on its agenda, which was adjourned as stated above, is the presence of Debenture Holders, in person or by proxy, holding or representing together at least twenty percent (20%) of the balance of the Principal.
22. According to a resolution of the Trustee or the chairman of the meeting or a resolution adopted by an ordinary majority of votes in any meeting in which a lawful quorum was present, the meeting (the "**Original Meeting**"), the discussion or the adoption of a resolution on an issue which was on the agenda, will be adjourned to a latter date and to such place as shall be determined by the Trustee or by the meeting, as stated above (the "**Continued Meeting**"). In a Continued Meeting, no issues will be discussed other than the issue, which was on the agenda and with respect of which no resolution was adopted.
23. Where a Holders meeting is adjourned without any change in its agenda, invitations concerning the new time fixed for the Continued Meeting will be given as soon as possible and not later than within 12 hours before the Continued Meeting; Such invitations will be delivered in accordance with the provisions of Section 10 above.
24. A holder, who was not present in the Original Meeting, may appear to the Continued Meeting and vote on the issues that were placed for voting (that the voting thereon has not been completed, as yet), subject to providing evidence to the party, summoning the meeting, concerning his holding of the Debentures, which are the subject of the meeting, as of the Effective Date for the meeting, as determined in the invitation notice to the meeting.

### **Participation and Voting**

25. Each Debenture Holder will be entitled to one vote with respect to each NIS 1 par value of the Debenture.
26. In the event of joint Holders, only the vote of the party, whose name is recorded first in the Ledger, will be accepted, either in person or by proxy.
27. Resolutions in a meeting will be adopted by a count of votes.
28. A Debenture Holder may vote in a Holders meeting, in person or by proxy and by a letter of voting in which it will indicate how he votes.
29. A letter of voting where a Holder has indicated his vote and which has reached the Trustee prior to the last day prescribed for same, shall be considered as presence at the meeting for the purpose of existence of a lawful quorum, as provided in Section

22 above. Accordingly, the Trustee is entitled, at its own discretion and subject to any law, to hold voting meetings in which voting will be conducted by means of letters of voting and without convening the Holders, and also to hold voting by means of letters of voting at a voting meeting (including at an adjourned meeting) where the necessary lawful quorum for adopting a resolution in the issue on the agenda was not present at its commencement, provided that the Trustee receives, until the time of closing the voting meeting, which shall be determined in the notice of convening the meeting or holding the voting, as the case may be, letters of voting from the Holders that constitute the necessary lawful quorum for the purpose of adopting the resolution in the Original Meeting or the adjourned meeting, as the case may be.

30. A letter of voting received by the Trustee, as stated above, regarding a particular matter in respect of which no vote was held at the Holders meeting shall be considered as an abstention in the vote at such general meeting in respect of a resolution to hold an adjourned Holders meeting in accordance with the provisions of Section 21 above, and shall be counted at the adjourned Holders meeting, which would be held in accordance with the provisions of Sections 21 or 19.3 above.
31. A Debenture Holder may vote on some of the Debentures held by it and may also vote on certain part thereof in favor of a resolution and on another part thereof against it, as it may deem fit.
32. The holdings of a Holder, who is a related individual (as this term is defined in the Deed of Trust) will not be taken into account for the purpose of determining the lawful quorum in the Holders meeting and his votes will not be taken into account in a vote at such meeting, as stated above.

### **Resolutions**

33. In a vote, resolutions in a Holders meeting will be adopted according to an ordinary majority, unless a different majority is prescribed by Law or according in the Deed of Trust.
34. In the counting of the votes, abstaining votes will not be taken into account.
35. The chairman of the meeting may determine that the voting will be by way of letters of voting or voting during the course of the meeting. In the event that the chairman determined that the voting will be by way of letters of voting, the Trustee will ensure that the drafting of the letter of voting will be distributed to the Holders, and will determine the closing date for voting, whereby Holders must send their complete and duly signed letter of voting to the Trustee by that time. The Trustee, at its discretion, may require a Holder to declare within the framework of the letter of voting with respect to the existence or absence of any Conflict of Interests (as defined below). A Holder that fails to completely fill out the letter of voting and/or fails to prove its entitlement to participate and vote at the meeting, pursuant to the provisions of the Second Addendum, shall be deemed as if it has not provided a letter of voting, and therefore chose not to vote on the matter/s in the letter of voting. A full and lawfully signed letter of voting, where the holder indicates his manner of voting, reaching the Trustee up until the last date determined thereto, will be regarded as his presence in the meeting for the purpose of the lawful quorum in the meeting.
36. As a Holders meeting is convened (whether called by the Company, a Holder or the Trustee), the Trustee will examine whether the Debenture Holders are in any Conflict of Interests between a matter arising from their Debenture holding and any other matter of theirs, as determined by the Trustee ("**Conflict of Interests**"). The



Trustee may require from a Holder, who participates in a meeting, to notify it, before the vote, of another matter he may have and whether there is a Conflict of Interests, as stated above.

Without derogating from the stated above, each of the following shall be deemed as being in a Conflict of Interests:

- 36.1 A Holder who is a related individual (as this term is defined in the Deed of Trust);
- 36.2 A Holder, who acted as an officer in the Company on or about the date of the event, underlying the resolution of the meeting;
- 36.3 Any Holder in respect of whom it was determined by the Trustee that it is in a "Conflict of Interests" pursuant to that stated herein and subject to any law and/or directive of a competent authority, among other things: any Holder that shall declare in writing to the Trustee that it has any personal material interest that deviates from the affairs of all the other Debenture Holders in the relevant meeting of the Debenture Holders. A Holder that fails to provide a written declaration after being requested to do so by the Trustee shall be deemed as if he has declared having such a personal interest, and the Trustee shall determine with respect thereto that the Holder has a Conflict of Interests. Without derogating from the stated above in Section 37, the Trustee shall examine whether the Holder is a Holder with a Conflict of Interests, while taking into account the holdings of that same Holder in other securities of the Company and/or securities of any other corporation, which is relevant to the resolution brought for the meeting's approval (as shall be detailed in the letter of voting), pursuant to that same Holder's declaration.

A determination of existence of a Conflict of Interests shall also be made based on a general test of conflicts of interest carried out by the Trustee. Similarly, in order to remove any doubt, it is clarified that nothing in the provisions of defining Debenture Holders as being in Conflict of Interests shall derogate from the provisions of any law, adjudication and binding directives of the Securities Authority, with respect to defining Debenture Holders as being in Conflict of Interests, as would be in effect on the Examination Date.

- 37. For the purpose of examining said Conflict of Interests, the Trustee may rely upon a legal opinion ordered by it, and the provisions of the Deed of Trust shall apply thereto with respect to the bearing of any costs.
- 38. It should be clarified that the examination of a Conflict of Interests as stated above, if and insofar as it is required in the Trustee's opinion, shall be conducted separately with respect to each resolution on the meeting's agenda as well as with respect to each meeting separately. It should further be clarified that nothing in the declaration of a Holder as being in a Conflict of Interests in any resolution or meeting whatsoever, shall in itself indicate a Conflict of Interests of that same Holder in a different resolution on the agenda at that meeting or with respect to other meetings.
- 39. In counting the votes at a vote taken in a Holders meeting, the Trustee will not take into account the votes of the Holders which have failed to respond to its request, as specified in Section 3.37 above, or of Holders with respect of which it found that a Conflict of Interests existed, as defined above. Notwithstanding the stated above, in the event that the aggregate holdings of the parties, participating in the meeting, which are not Holders having a Conflict of Interests, fell below five percent (5%) of the balance of par value of the Debentures of the relevant series, the Trustee will

also take into account in counting the votes at a vote, the votes of the Holders having a Conflict of Interests.

#### **Voting and Acts by proxy/legal representative**

40. A letter of appointment of proxy will be in writing and signed by the appointing party or its duly authorized representative. If the appointing party is a corporation, the appointment will be in writing and will bear the corporation's seal, together with the signatures of the authorized signatories of the corporation, and the appointed will be entitled to act on behalf of the corporation represented by him.
41. The proxy will be drawn up in any form acceptable to the Trustee.
42. A proxy does not have to be a Debenture Holder.
43. A proxy and a power of attorney and any other certificate under which the proxy was signed or a certified copy of such a power of attorney, will be delivered to the Trustee until the date of the meeting, unless it is otherwise stated in the invitation notice by which such meeting is convened.
44. A voting that was executed according to the conditions, specified in the document appointing a proxy, will be valid even if the appointer died earlier or was declared disqualified or if the letter of appointment was cancelled or that the debenture in respect of whom the vote is given was transferred, unless if a notice in writing with respect to the death, decision of disqualification, cancellation or transfer, as the case may be, was received at the offices of the Trustee, prior to the meeting.
45. Any corporation, which is the holder of a debenture, is entitled through a lawfully signed authorization in writing, to authorize any person deemed fit by it to act as its representative in any meeting of Debenture Holders, and the individual appointed in this fashion will be entitled to act on behalf of the corporation represented by him.
46. The Trustee will participate in the meeting through its employees, office holders, position holders or any other person appointed by it, but it will not have a voting right.
47. The Company and any other person with the exception of the Trustee will not be entitled to participate in a meeting of Debentures Holders or any part thereof, in accordance with a resolution of the Trustee. Notwithstanding the provisions of this Section, the Company will be able to participate in the opening of a meeting, in order to express its position on any issue that may be on the agenda of the meeting and/or the presentation of a particular issue (as the case may be). In order to remove any doubt, the Company will participate in the meeting without a voting right.

#### **Addressing Debenture Holders and Stand Notices**

48. The Trustee and one or more Holders, holding at least five percent (5%) of the par value balance of the Debentures in circulation, through the Trustee, may address the Holders in writing, in order to convince them how to vote on any of the issues to be discussed at such meeting ("**Statement of Position**").
49. Where a meeting of Holders was summoned in accordance with Section 2 above, a Holder may request the Trustee to publish, in accordance with the provisions of this Deed, a Statement of Position on its behalf to the other Debenture Holders. It is clarified that the liability for the contents of the stand notice is imposed on the party submitting the stand notice only.  
The Trustee and the Company will be each entitled severally to publish a stand

notice in response to the stand notice that was conveyed, as per that stated above, or in response to another approach to the holders of the debentures.

**Convening a Holders Meeting for Consultation Purposes**

- 50. An invitation on behalf of the Trustee for consultation only with the Debenture Holders will be published at least one day before the date of the meeting ("**Consultation Meeting**"). In the convening of a Consultation Meeting the issues on the agenda will not be specified and no resolutions will be adopted therein.
- 51. No stand notices will be published in a consultation meeting.

**General**

- 52. All that is stated in this Addendum is subject to the provisions of the Deed of Trust.
- 53. The Securities Regulations (Voting in Writing, Stand Notices and Proofing Title of Obligations Certificate, Pursuant to the Voting in a Meeting of Holders of Obligation Certificates) 2015, shall apply to this Addendum.

**Appendix 5.2**  
**Payment Table of Series G Bonds\***

<b>Payment Date</b>	<b>Dec. 31, 2017</b>	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2021</b>	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2023</b>
<b>Opening Balance</b>	173,070,000	173,070,000	173,070,000	173,070,000	173,070,000	115,380,000	57,690,000
<b>Interest</b>	2,169,655	1,730,700	1,730,700	1,730,700	1,730,700	1,153,800	576,900
<b>Principal</b>	-	-	-	-	57,690,000	57,690,000	57,690,000
<b>Closing Balance</b>	173,070,000	173,070,000	173,070,000	173,070,000	115,380,000	57,690,000	-

\*In NIS thousand. With the deduction of holdings of subsidiaries. The final date for commencement of accumulation of interest is September 30, 2016.

**Appendix 5.3**  
**Details of Manner of Allotment of the Debentures Series G\***

Series	Rate out of the Total Debt	Debentures
A	1.73%	2,991,011
B	3.49%	6,048,596
B	3.49%	6,048,451
B	0.22%	386,482
C	14.68%	25,412,590
D	17.90%	30,978,787
E	42.61%	73,751,040
F	15.86%	27,453,043
<b>Total</b>	<b>100%</b>	<b>173,070,000</b>

\* With the deduction of holdings of subsidiaries; as of June 30, 2016, NIS/\$ Rate of Exchange is 3.846. The actual extent of the debt is \$45 million, according to the rate of exchange upon the Effective Date.

Appendix 6.6  
**Stand Still Undertaking of the Controlling Companies**

On [●], [●] 2016

Mirland Development Corporation Plc. (the "Company")

Dear Sirs,

Re: **Stand Still Undertaking**

**Whereas** On July 19, 2016, the Company published a Settlement Plan between the Company, the Holders of the Debentures (Series A-F) of the Company and the undersigned (Ref. No. 086125-01-2016), ("**the Settlement Plan**");

**And Whereas** On July 19, 2016, the Settlement Plan was approved by the competent organs of each of the undersigned;

**And Whereas** The entrance into validity of the Settlement Plan is stipulated by various Suspending Conditions, as stated in the Settlement Plan;

**Therefore, We Hereby Undertake Toward You, as Follows:**

1. Terms, which were not defined in this Stand Still Undertaking, shall bear the meaning related to them according to the Settlement Plan.
2. Subject to fulfillment of the Suspending Condition, specified in Section 3 hereunder, each of the Controlling Companies approves and undertakes to act according and subject to the provisions of the Settlement Plan, applying thereto (including and without prejudice, the provisions of Section 6 of the Settlement Plan).
3. **Suspending Condition**
  - 3.1 This Stand Still Undertaking shall enter validity upon the complete fulfillment of all the Suspending Conditions, specified in Section 10 of the Settlement Plan ("**the Suspending Conditions to the Settlement**") until and not later than November 30, 2016<sup>1</sup> ("**the Final Date**").
  - 3.2 In the event that the Suspending Conditions to the Settlement are not met up until the Final Date or if the suspending condition, stated in Section 10.9 of the Settlement Plan (approval of the preliminary meetings) is not met up until August 11, 2016, whichever is earlier - each of the Controlling Companies will be entitle to notify the Company in writing, according to its exclusive discretion, of cancellation of this Stand Still Undertaking. In the event that a cancellation notice was issued by any of the Controlling Companies, this Stand Still Undertaking shall be null and void, lacking any validity, and the Controlling Companies will not be under any obligation on its strength, without the Company, the Trustee or the Holders of the Debentures having any contention, requirement or claim in respect thereof.
4. The consent and undertaking of the Controlling Companies is irrevocable and unconditional, with the exception of that specified in Section 3 above.

Sincerely Yours,

\_\_\_\_\_  
Industrial Buildings Ltd.

\_\_\_\_\_  
Jerusalem Economy Ltd.

\_\_\_\_\_  
Darban Investments Ltd.

<sup>1</sup> . The condition, stated in Section 10.9 of the Settlement Plan, ought to be fulfilled up until the date indicated therein.

**Approval of Industrial Buildings Ltd.**

I, the undersigned, Adv. [●] from the offices of [●] hereby approve that this Stand Still Undertaking was signed by Mr. [●] and Mr. [●], who are signatories of Industrial Buildings Ltd., and their signature of this Stand Still Undertaking was lawfully approved by Industrial Buildings Ltd. and it is binding upon Industrial Buildings Ltd. for each and every purpose.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**Approval of Jerusalem Economy Ltd.**

I, the undersigned, Adv. [●] from the offices of [●] hereby approve that this Stand Still Undertaking was signed by Mr. [●] and Mr. [●], who are signatories of Jerusalem Economy Ltd., and their signature of this Stand Still Undertaking was lawfully approved by Jerusalem Economy Ltd. and it is binding upon Jerusalem Economy Ltd. for each and every purpose.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**Approval of Darban Investments Ltd.**

I, the undersigned, Adv. [●] from the offices of [●] hereby approve that this Stand Still Undertaking was signed by Mr. [●] and Mr. [●], who are signatories of Darban Investments Ltd., and their signature of this Stand Still Undertaking was lawfully approved by Darban Investments Ltd. and it is binding upon Darban Investments Ltd. for each and every purpose.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

We consent to the terms of the aforementioned Stand Still Undertaking:

Mirland Development Corporation Plc.

Hermetic Trust (1975) Ltd.

Reznik Paz Nevo Trusteeship Ltd.

Mishmeret - Trusts Services Ltd.

**Appendix 8**  
**Form of the amended and restated Articles of association of the**  
**Company**

**Company number: HE153919**

**COMPANY LIMITED BY SHARES**

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**ARTICLES OF ASSOCIATION**

**Of the Company**

**MIRLAND DEVELOPMENT CORPORATION PLC**

**1. INTERPRETATION**

- 1.1 The following Articles shall constitute the regulations of the Company. Any words or expressions defined in the Law, unless the context otherwise requires, bear the same meaning in these Articles:

**“Accounting and Financial Expertise”** shall mean in relation to an individual, an individual that by virtue of education, experience and qualifications possesses high proficiency and understanding in business-accounting issues and financial statements, in a manner that allows that individual to thoroughly understand the Company's financial statements and to instigate a discussion in connection with the manner of the presentation of the financial data, to be determined at the discretion of the Board of Directors inter alia taking into account education, expertise and knowledge in the following issues: (i) accounting issues and accounting control issues characterizing the field in which the Company operates, as well as with companies of the same scale and complexity as the Company; (ii) auditor's functions and duties; (iii) preparation and approval of financial statements;

**“Articles”** shall mean these Articles of Association of the Company (as amended from time to time);

**“Administrative Enforcement Committee”** means a committee comprised of six (6) members appointed by ISA;

**“Audit Committee”** shall have the meaning assigned to that term in Regulation 15;

**“Affiliated Company”** shall mean a company in which another company - which is not a parent company thereof - holds 25% or more of the nominal value of its issued share capital or of the voting power therein or is entitled to appoint 25% or more of its directors;

**“Associated Company”** shall mean an Affiliated Company, and also a company in which another company - which is not a parent company thereof - has invested an amount equal to 25% or more of the equity of the other company, whether in shares or otherwise, excluding a loan given in the ordinary course of business;



**“Board”** or **“Board of Directors”** means the Board from time to time of the Company or the Directors present at a meeting of the Directors at which a quorum is present;

**“Bonds”** means Series G Bonds issued by the Company;

**“Company”** means MIRLAND DEVELOPMENT CORPORATION PLC.;

**“Connection”** means the existence of labor relations, business or professional relations generally or controls, as well as acting as an Officer, other than as a Director appointed to serve as an External Director in a company which intends to undergo an initial public offering;

**“Control”** means the ability to direct the activity of a company, excluding an ability deriving merely from holding an office of director or another office in such a company, while a Person shall be presumed to control a company if he holds fifty percent (50%) or more of the voting rights of such company or holds the right to appoint or dismiss more than half of the directors of such company or its general manager;

**“Control Block”** means Shares conferring twenty-five percent (25%) or more of the voting rights with respect to a Resolution of Shareholders of the Company;

**“Controlling Shareholder”** means the ability to direct the activity of a company, excluding an ability deriving merely from holding an office of director or another office in such a company, while a Person shall be presumed to control a company if he holds fifty percent (50%) or more of the voting rights of such company or holds the right to appoint or dismiss more than half of the directors of such company or its general manager;

**“Court”** means the means the District Court of Limassol, Cyprus;

**“Debentures Company”** a Private Company which its debt obligations are registered for trade on stock exchange market or have been offered to the public in Israel in accordance to a prospectus, or have been offered to the public outside Israel in accordance to a public offering form required in accordance to the law outside Israel, and are held by the public;

**“Director”** means a member of the Board of Directors of the Company who is either an External Director or Non-External Independent Director or Non-External and Non-Independent Director;

**“Distribution”** transfer of an asset, other than shares, to or for the benefit of a shareholder in relation to shares held by a shareholder, or the incurring of a debt to or for the benefit of a shareholder in relation to shares held by a shareholder, and whether by means of a purchase of an asset, the redemption or other acquisition of shares, a distribution of indebtedness or otherwise, and includes a dividend;

**“Enforcement measures”** means measures which may be imposed by the Administrative Enforcement Committee, which include, the following: financial sanctions, payments to the parties injured by the violation, taking measures to correct the violation and to prevent its repetition, prohibition against serving as an Officer in an Israeli company, revocation or suspension of a license, approval or permit granted by an Israeli public authority;

**“Extraordinary Private Placement”** means (1) private offer to an Interested Party or a private offering of securities, granting five percent (5%) or more of the total voting rights in a company before such offering, provided that it is not a Substantial Private Placement; for this purpose, securities convertible into or exercisable for shares to be issued under the

private offering, shall be considered as having been converted or realized; (ii) Private Placement to Director or general manager that it is not an Substantial Private Placement;

**“External Director”** means a Director appointed as such by Resolution of Shareholders after the Audit Committee has confirmed that all of the conditions stated in Regulations 11.3-11.8 have been met and whose gender, special expertise, term in office, remuneration, manner of removal/dismissal, and limitation after tenure are governed in accordance to Regulations 11.1, 11.4, 11.8, 11.9, 11.11-11.14, and 11.16, accordingly;

**“Extraordinary Transaction”** means in relation to a company, a Transaction that: (i) is not in the ordinary course of such company's business; or (ii) is not on market terms; or (iii) may have a substantial effect on such company's profitability, property or liabilities;

**“Financial Statements Committee”** shall have the meaning assigned to that term in Regulation 33.1;

**“General Meeting”** means an Annual Meeting or an Special Meeting of the Holders of a class of shares;

**“Holding” and “Purchase”** includes in relation to Securities, voting power and the like; whether alone or with others, directly or indirectly, through a trustee or a trust company; or in any other manner, and (i) in case of Holding by a company, also by its Subsidiary or by an Associated Company, and (ii) in case of Holding by an individual, the individual and his Relatives who live with him or whose livelihood depends on each other, are deemed one person;

**“Holding or Purchase of Securities Together with Others”** the Holding or Purchase of Securities in cooperation between two or more persons according to an agreement, whether written or verbal; without derogating from the generality of the aforesaid, the following shall prima facie be deemed to be Holding Securities jointly: (i) a company that holds or purchases Securities together with a party which is an Interested Party in such company or with an associate; (ii) a Person whose business is the Holding or trading of Securities on behalf of others, together with his customer or with his Relative who does not live with him, the livelihood of the one not depending on the other, for whom he holds and manages Securities under a power of attorney granting him discretion with respect to the use of the voting power;

**“Interested Party”** means in relation to a company, a Substantial Shareholder of such company or a Person with authority to appoint one or more Directors or the general manager and a person acting as Director, general manager of such company;

**“Internal Auditor”** shall have the meaning assigned to that term in Regulation 29.1 of the Articles;

**“ISA”** means the Israel Securities Authority;

**“Judgment”** means a judgment of the first instance by a court in Israel;

**“Law”** means the Cypriot Companies Law, Cap. 113 or any law substituting or amending the same;

**“Means of Control”** means in relation to a company, each of the following: (i) the right to vote in the general meeting of such company or a corresponding body of another company; (ii) the right to appoint directors of such company, its general manager;

**“Members”** mean the holders of shares in the capital of the Company. Also referred in the Articles as **“Shareholders”**;

**“Non-External Independent Director”** means a Director appointed as such by Resolution of Shareholders or by Resolution of Directors after the Audit Committee has confirmed that all of the conditions stated in Regulations 11.3-11.8 (apart from being a resident of the state of Israel which is not required) have been met and whose remuneration, manner of removal/dismissal, and limitation after tenure are governed in accordance to Regulations 11.8, 10.7-10.9, 11.11-11.14, and 11.16, accordingly. A Non-External Independent Director will not serve as a Director in the Company for a period longer than nine (9) years. In this connection, ceasing to serve as Director for a period which isn't longer than two (2) years will not be considered as stopping the sequence of directorship;

**“Non-External and Non-Independent Director”** means any Director of the Company who is neither an External Director nor a Non-External Independent Director;

**“Officer”** means any general manager, chief executive officer, deputy general manager, vice president or any other person fulfilling such duties for and on behalf of the Company even if he has a different title from those stated above or any Director, or any other manager directly subordinated to the general manager;

**“Ordinary Resolution”** means an ordinary resolution of the General Meeting;

**“Other Body Corporate”** means a body corporate in which the Company or a Controlling Shareholder is the Controlling Shareholder, in, on the date of appointment or during the two (2) years prior thereto;

**“Person”** mean individuals, the estates of deceased individuals, unincorporated associations of persons and all legal entities capable of having a legal existence;

**“Personal Interest”** means in relation to a company, a Person's personal interest in an act or a Transaction of such company, including a personal interest of his Relative and of another company in which he or his Relative is an Interested Party, except for a personal interest which derives from the mere fact of Holding shares in such company, and including a personal interest of a Person voting in accordance to a proxy given to him by another Person, even though the other Person has no personal interest, and voting by a Person who was given a proxy by another person who has a personal interest, will be considered as voting by the Person who has a personal interest, all whether the discretion in regards to the voting is granted to the Person voting or not;

**“Private Company”** means a company which is not a Public Company;

**“Private placement”** means an offer for the issue of securities of a Public Company that is not an offer to the public;

**“Professional Qualifications”** shall mean in relation to an individual, an individual satisfying one of the following conditions: (i) holder of an academic degree in one of the following professions: economics, business management, accounting, law, public administration; (ii) holder of another academic degree or having completed other studies of higher education, all in the Company's principal area of activity or in the field relevant to the position; (iii) having experience of at least five (5) years in one of the following, or having cumulative experience of at least five (5) years in two or more of the following: (a) a senior position in the business management area of a company with a substantial scope of

business; (b) in a senior public office or in a senior office in the public service; (c) in a senior office in the Company's principal areas of activity;

**“Public Company”** means a company which shares are registered for trade on stock exchange, or have been offered to the public in Israel, in accordance to a prospectus, or have been offered to the public outside Israel in accordance to a public offering form required in accordance to the law outside Israel, and are held by the public;

**“Purchase of Securities”** means any acquisition of the Company's Securities, including but not limited to an acquisition of the Company's Securities by way of allotment when the Securities are first issued;

**“Remuneration Committee”** shall have the meaning assigned to that term in Regulation 16;

**“Remuneration Policy”** means a policy regarding the terms of tenure and employment of Officers of the Company;

**“Relative”** spouse, sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

**“Retirement Grant”** means a grant, payment, remuneration, compensation or any other benefit provided to Officers in connection with the conclusion of their position at the Company;

**“Resolution of Directors”** means (a) a resolution approved at a duly constituted meeting of Directors or of a committee of Directors of the Company, by affirmative vote of a majority of the Directors present at the meeting who voted and did not abstain; or (b) a resolution consented to in writing by all the Directors of the Company or all the members of the committee, as the case may be;

**“Resolution of Shareholders”** means, a resolution approved at a duly constituted meeting of the Shareholders of the Company by the affirmative vote of a simple majority, of the votes of the Shares that were present at the meeting and entitled to vote thereon and were voted and did not abstain;

**“Securities”** means shares, debt obligations of every kind, and includes options, warrants and rights to acquire shares;

**“Seal”** means any seal which has been duly adopted as the common seal of the Company;

**“Secretary”** means any person appointed to perform the duties of the secretary of the Company and includes an assistant secretary;

**“Share”** means the ordinary shares with a nominal value of US\$0.01 (one cent) each in the share capital of the company issued or to be issued by the Company;

**“Shareholder”** means a Person who holds a Share in the Company. Also referred in the Articles as a **“Member”**;

**“Special Resolution”** means a resolution passed by a majority of not less than three-fourths (3/4) of such members as, being entitled so to do, vote in person or by proxy at a General Meeting of which not less than twenty-one (21) days' notice specifying the intention to propose the resolution as a special resolution has been duly given.

**“Subsidiary”** shall mean in relation to a company, a company in which another company holds fifty percent (50%) or more of the nominal value of its issued share capital or of the voting power therein or is entitled to appoint half or more of the directors, its general manager or its president;

**“Substantial Shareholder”** means in relation to a company, a Person holding five percent (5%) or more of such company's issued share capital or of such company's voting rights;

**“Substantial Private Placement”** means (i) private offering of securities granting of twenty percent (20%) or more of the total voting rights in a company before such offering, or as a result of the offering holdings of a Substantial shareholder in securities of the Company will increase or as a result of which a Person will become a Substantial Shareholder after the offering; for this purpose, securities convertible into or exercisable for shares issued under the private offering, shall be considered as having been converted or realized; (ii) Private Placement to director or general manager or to whom those who will become the Controlling Shareholder as a result of the offering; for the purpose of holding, securities which are convertible into or realizable as shares held by such person or issued to him pursuant to the Private Placement, shall be considered as having been converted or realized

**“TASE”** means the Tel Aviv Stock Exchange Ltd.;

**“Tender offer”** means an offer to purchase shares, made to all the shareholders of the Company;

**“Transaction”** a contract or agreement as well as unilateral decision on the part of the Company in respect of the grant of a right or other benefit;

**“Written”** or any term of like import includes information generated, sent, received or stored by electronic, electrical, digital, magnetic, optical, electromagnetic, biometric or photonic means, including electronic data interchange, electronic mail, telegram, telex or telecopy, and **“in writing”**

- 1.2 In the Memorandum and Articles, unless the context otherwise requires a reference to: a **“Clause”** is a reference to a clause of the Memorandum; a **“Regulation”** is a reference to a regulation of the Articles; the singular includes the plural and vice versa and the masculine shall include the feminine and neuter; Words denoting persons shall include bodies corporate and unincorporated associations; Headings are inserted for convenience only and shall be disregarded in interpreting the Memorandum and Articles.
- 1.3 The expressions **“communication”** and **“electronic communication”** shall include without limitation, e-mail, facsimile, CD-ROM, audio tape and telephone transmission and publication on a web site.
- 1.4 The expression **“address”** shall include, in relation to electronic communication, any number or address used for the purposes of such communication.
- 1.5 The provisions of Table A of the First Schedule of the Law shall not be applicable to the Company.

## 2. PUBLIC COMPANY

The Company is a Public Company as defined in the Law. The liability of the Company's members is limited and, accordingly, each member's responsibility for the Company's

obligations shall be limited to the payment of the nominal value of the shares held by such member, subject to the provisions of these Articles and the Law.

### **3. AUTHORIZED SHARE CAPITAL**

The authorized share capital of the company at the date of adoption of these Articles is US\$ 17,000,000 divided into 1,700,000,000 ordinary shares of US\$0.01 each. The powers, preferences, rights, restrictions and other matters relating to the shares are as set out in these Articles. Warrants, options and other securities convertible or exercisable into shares shall not be considered as Shares for purposes of these Articles.

### **4. UNISSUED SHARES**

Subject to the provisions of these Articles and any resolution of the Company at a General Meeting, the Board may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise deal with or dispose of any unissued shares (whether forming part of the original or any increased capital) to such Persons, at such times and generally on such terms as the Board may decide.

### **5. SHARES**

- 5.1 Shares and other Securities may be issued at such times, to such Persons, for such consideration and on such terms as the Directors may by a Resolution of Directors determine.
- 5.2 A Share may be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how) or a contract for future services.
- 5.3 Subject to the provisions of section 105 of the Law, the Company shall keep a register (the **"Register of Members"**) containing: (i) the name, identity number and address of the Shareholder, as notified to the Company; (ii) amount of Shares and class of Shares held by each Shareholder, indicating their nominal value, if any, and if any amount of the consideration fixed for a Share is not yet paid, the amount unpaid; (iii) the date of allotment of the shares or the dates of their transfer to shareholders, as the case may be; and (iv) where the shares are marked with distinctive numbers, the Company shall note next to the name of each shareholder the numbers of the shares registered in such person's name the date on which any Person ceased to be a Member.
- 5.4 The Register of Members may be in any such form as the Directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until the Directors otherwise determine, the magnetic, electronic or other data storage form shall be the original register of members.
- 5.5 The Company may by Special Resolution reduce its share capital, any capital redemption, reserve fund or any share premium account in any manner and with, and subject to, any incident authorized, and consent required, by Law.
- 5.6 The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any Person of or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its Shares or those of

its holding company. Nothing in this Regulation shall prohibit transactions mentioned in the proviso to section 53(1) of the Law.

## **6. REDEMPTION OF SHARES AND TREASURY SHARES**

- 6.1 Subject to the Law or any other provision in the Memorandum or Articles, the Company may purchase, redeem or otherwise acquire and hold its own Shares.
- 6.2 Subject to the Law, Shares that the Company purchases, redeems or otherwise acquires may be cancelled or held as Treasury Shares.
- 6.3 Subject to the Law, all rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by the Company while it holds the Share as a Treasury Share.
- 6.4 Subject to the Law, treasury Shares may be disposed of by the Company on such terms and conditions (not otherwise inconsistent with the Memorandum and Articles) as the Company may by Resolution of Directors determine.

## **7. FORFEITURE**

- 7.1 Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in this Regulation and for this purpose Shares issued for a promissory note or a contract for future services are deemed to be not fully paid.
- 7.2 A written notice of call specifying the date for payment to be made shall be served by the directors on the Shareholder who defaults in making payment in respect of the Shares.
- 7.3 The written notice of call referred to in Regulation 7.2 shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liable to be forfeited.
- 7.4 Where a written notice of call has been issued pursuant to Regulation 7.3 and the requirements of the notice have not been complied with, the Directors may, at any time before tender of payment, forfeit and cancel the Shares to which the notice relates.
- 7.5 A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the company all moneys which, at the date of forfeiture, were payable by him to the company in respect of the shares, but his liability shall cease if and when the company shall have received payment in full of all such moneys in respect of the shares.

## **8. TRANSFER OF SHARES**

- 8.1 Shares may be transferred by a written instrument of transfer signed by the transferor and the transferee and containing the name and address of the transferee, which shall be sent to the Company for registration.
- 8.2 The Company shall, on receipt of an instrument of transfer complying with Regulation 8.1 enter the name of the transferee of a Share in the register of members unless the Directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in a Resolution of Directors.

- 8.3 The transfer of a Share is effective when the name of the transferee is entered on the register of members.

## 9. GENERAL MEETINGS

- 9.1 The powers of the General Meeting will be in accordance with those enumerated by the Law and these Articles.

9.2 Annual General Meeting

An annual general meeting shall be held once in every calendar on a date which shall be set by the Board of Directors but no later than fifteen (15) months after the last preceding Annual General Meeting. All of the General Meetings of the Company shall be convened in Cyprus. Such General Meetings shall be called “**Annual General Meetings**”.

An Annual General Meeting shall be called by at the least twenty-one (21) days' notice in writing to all Shareholders. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in General Meeting, to such Persons as are, under this Articles, entitled to receive such notices from the Company.

9.3 Special Meetings

All General Meetings other than Annual General Meetings shall be called “**Special Meetings**”. The Board of Directors may, whenever it deems fit, convene a Special Meeting at such time and place, within Cyprus or outside Cyprus, as may be determined by the Board of Directors, and shall be obliged to do so upon a requisition in writing, as provided by section 126 of the Law Any request for convening a meeting must specify the purposes for which the meeting is to be called, shall be signed by the persons requesting the meeting, and shall be delivered to the Company's registered offices

- 9.4 In addition to the requisition stated in Regulation 9.33 above, the Company's board of directors shall convene a Special Meeting, pursuant to its resolution, and on the requisition of any of the following:

9.4.1 Two (2) directors or one-quarter (1/4) of the Directors serving in office;

9.4.2 one or more shareholders holding at least five percent (5%) of the issued capital and one percent (1%) of the voting rights in the Company, or one or more shareholders holding at least five percent (5%) of the voting rights in the Company.

If the Board is requisitioned to convene a Special Meeting, as hereinabove stipulated, it shall do so within 21 days of the requisition being submitted, at the time determined in the notice of the Special Meeting, as provided in article 9.99 below, provided that the Special Meeting shall not be held later than 35 days from the notice's publication, unless it is provided otherwise with respect to a meeting in the Articles and/or the Law.

- 9.5 If the board of directors does not convene a Special Meeting that has been requisitioned as provided in Regulation 9.4 above, the person requisitioning the meeting, and in the case of shareholders - also some of them, holding more than one half (1/2) of the total number



of voting rights, may convene the meeting themselves, provided that it shall not be held after three (3) months have elapsed from the date the requisition was submitted as aforesaid, and it shall be convened, insofar as possible, in the same manner in which meetings are convened by the board of directors.

9.6 If the board of directors does not convene a Special Meeting that has been requisitioned as provided in Regulation 9.44 above, the Court may, by application of any Director or Shareholder entitled to vote in the relevant meeting, to convene a Special Meeting.

9.7 Where a General Meeting is convened as provided in to Regulation 9.5 or 9.6 above the Company shall cover the reasonable costs incurred by the party demanding the convening of the meeting, and the directors responsible for the non-convening of the meeting shall be responsible for repaying such costs to the company.

9.8 Agenda

9.8.1 The agenda at a General Meeting shall be determined by the board of directors and it shall also include the matters for which a Special Meeting is requisitioned pursuant to Regulation 9.33 above and a matter requested as provided in article 9.8.2 below.

9.8.2 A shareholder (including two or more shareholders that are acting in concert, **“Proposing Shareholder(s)”**) holding at least one percent (1%) of the voting rights in the Company may request, that the Board of Directors include a proposal on the agenda of a General Meeting to be held in the future, provided that the matter is suitable for discussion at a General Meeting.

9.8.3 A request as mentioned in Regulation 9.8.2 above shall be submitted to the Company in writing before notice is given of the general meeting, and shall include the form of wording of the resolution proposed by the shareholder.

9.8.4 Only resolutions regarding matters set out in the agenda may be passed by the General Meeting.

9.8.5 The agenda at the Annual General Meeting shall include the following matters:

9.8.5.1 a discussion of the annual report on the Company's financial statements and the board of directors' report on the state of the Company's affairs, which is submitted to the General Meeting;

9.8.5.2 the appointment of directors and the determination of their employment terms;

9.8.5.3 the appointment of an auditor;

9.8.5.4 the board of directors' report on the auditor's remuneration for the audit and for other services, if any;

9.8.5.5 the declaration of dividends;

9.8.5.6 In addition to the aforesaid, any other matter specified at the Articles of Association to be included at annual general meeting or any other matter specified on the agenda may be included on the annual meeting's agenda, as provided in article 9.44 above.

## 9.9 Notice of a General Meeting

- 9.9.1 Notice of a Special Meeting shall be published in at least two (2) daily Hebrew language newspapers with a wide circulation and sent to such persons as are, under the regulations of the company, entitled to receive such notices from the Company, including without limitation to the Shareholders.

An Annual General Meeting and a Special Meeting called for the passing of a Special Resolution shall be called by twenty-one (21) days' notice in writing at the least, and a meeting of the Company other than an Annual General Meeting or a Special Meeting for the passing of a Special Resolution shall be called by fourteen (14) days' notice in writing at the least.

The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in General Meetings, to such persons as are, under the Articles, entitled to receive such notices from the Company.

Notwithstanding the above provision, a notice of a General Meeting at which matters stipulated in Regulation 9.11.1 appear on the agenda, shall be published at least 35 days prior to convening of such Special Meeting.

- 9.9.2 Notice of a General Meeting shall include the type of meeting, the place, date and time at which the General Meeting will convene and shall include the agenda items, a summary of the proposed resolutions, the necessary majority for approving the resolutions, the right of the shareholder to vote by way of proxy to be transferred to the electronic voting system, the final date for the inclusion of any items on the agenda, as well as the effective date for setting the entitlement of the shareholders to vote at the General Meeting.
- 9.9.3 The notice shall include the phone number and registered office address of the company, and the times that that the full version of the proposed resolutions can be viewed; the Company may set other places for viewing such items including a website.
- 9.9.4 Notwithstanding the provisions contained in Regulations 9.2 and 9.9.1, provided that a General Meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this regulation, be deemed to have been duly called if it is so agreed -
- 9.9.4.1 in the case of a meeting called as the Annual General Meeting, by all the members entitled to attend and vote thereat; and
- 9.9.4.2 in the case of a Special Meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 percent (95%) in nominal value of the shares giving that right.
- 9.9.5 All notices and other communications relating to a General Meeting and which each member is entitled to receive shall also be given to the Auditors of the Company.

9.10 Proceedings At General Meetings

- 9.10.1 No discussion may be commenced at the General Meeting unless a quorum is present at the time of the meeting proceeds to business. A quorum shall be constituted by the presence, in person or by proxy, of two (2) shareholders holding at least 25% of the voting rights, within half an hour of the time fixed for the meeting's commencement, unless these Articles otherwise provide.
- 9.10.2 If within half an hour from the time set for the meeting a quorum is not present, in person or by proxy, the meeting shall stand adjourned to the same day in the next week, at the same time and place, or at another date, time and place as shall be set forth by the board of directors decides in a notice to all of those persons who are entitled to receive notice of General Meetings
- 9.10.3 If within half an hour from the time set for the adjourned meeting a quorum is not present, in person or by proxy, the Shareholders/s present shall be a quorum.
- 9.10.4 The chairman of the board of directors or any other person appointed for such purpose by the board of directors shall chair any General Meeting of the Company. If there is no such chairman, or if he is not present at any meeting within 15 minutes of the time fixed for the meeting's commencement or he refuses to chair the meeting, the directors present may, by a majority, elect a chairman from amongst them, and if they do not do so - the shareholders present, in person or by proxy, shall elect one of the directors present to chair the meeting. If no director is present or if all the directors refuse to chair the meeting, they shall elect one of the shareholders or his proxy to chair the meeting.
- 9.10.5 The Company shall keep minutes of the proceedings at the General Meeting, which shall include the following details:
  - 9.10.5.1 The names of the shareholders participating in the General Meeting and the number of shares held by them;
  - 9.10.5.2 The matters discussed at the General Meeting and the resolutions passed thereat.
- 9.10.6 Minutes signed by the meeting's chairman shall constitute prima facie proof of that stated therein.

9.11 Voting by Voting Paper and Statement of Position

- 9.11.1 Subject to the Law, shareholders may vote in the general meeting by means of a voting paper in which the shareholder indicates how he votes on resolutions relating to the following matters:
- (a) appointment and removal of directors;
  - (b) approval acts or transactions requiring the approval of the General Meeting pursuant to Transactions with Controlling Shareholders and/or Officers and Directors of the Company;
  - (c) approval of a merger; and
  - (d) any other matter in respect of which there is a provision in the Articles or thereunder to the effect that decisions of the General Meeting may also be passed by means of a voting paper;
- 9.11.2 Shareholders may indicate their vote on the voting paper and send it to the Company.
- 9.11.3 a voting paper on which a shareholder has indicated his vote and which has reached the Company prior to the last day prescribed for such shall be considered as presence at the meeting for the purposes of the existence of a quorum.
- 9.11.4 a voting paper received by the Company as provided in Regulation 9.11.1 above regarding a particular matter in respect of which no vote was held at the General Meeting shall be considered as an abstention in the vote at such General Meeting in respect of a resolution to hold an adjourned meeting, and shall be counted at the adjourned meeting.
- 9.11.5 in addition to the provisions of Regulation 9.11.1 above a Shareholder, may vote at the General Meeting by way of proxy statement which shall be transferred to the Company by way of the electronic voting system, as well as for all other agenda items of the meeting as said, and Regulation 9.11.1-9.11.4 will apply on it.
- 9.11.6 Notwithstanding anything contained in Regulation 9.11, any voting paper which is submitted by shareholders in accordance with the terms thereof, shall, unless otherwise provided, be considered as authorizing the chairman of the general meeting of the Company to count and cast the respective votes in the manner specified on the voting paper as if it was a proxy properly filed.

9.12 Voting and Passing Resolutions at General Meetings

- 9.12.1 A Shareholder may vote at a General Meeting or at a class meeting in person or by proxy, in accordance with the provisions of these Articles. A proxy need not be a Shareholder in the Company.
- 9.12.2 Subject to the provisions of any law, in the case of joint shareholders, each of them may vote at any meeting, in person or by proxy, in relation to such share, as though he were the sole person entitled thereto. If more than one joint shareholder attends a meeting, in person or by proxy, the vote shall be made by

the joint shareholder whose name appears first in the shareholders' register in relation to the share, or in a certificate of the stock exchange member regarding his title to the share (hereinafter referred to as "**Certificate of Title**") or in another document determined by the Board for such purpose, as the case may be.

- 9.12.3 A shareholder lacking legal capacity may vote through his guardians or another person appointed by a court, and any guardian or other person as aforesaid may vote through a proxy.
- 9.12.4 The instrument appointing a proxy (hereinafter referred to as the "**Appointment Instrument**") and the power of attorney by virtue whereof the appointment instrument is signed (if any), or a suitable copy thereof, at the board of directors' satisfaction, shall be deposited at the registered office or at any other place or places, in Israel or abroad - as determined by the Board of Directors from time to time, in general or in relation to a particular case - at least 48 hours prior to the commencement of the meeting at which the proxy intends voting in reliance upon such Appointment Instrument. Notwithstanding the aforesaid, the meeting's chairman may, at his discretion, accept an Appointment Instrument and a power of attorney, as aforesaid, also after the said time if, at his discretion, he deems it fit. If the Appointment Instrument and power of attorney are not received as provided above, they shall not be valid at such meeting.
- 9.12.5 The Appointment Instrument shall be drawn up in writing and signed by the appointer or by the person duly authorized therefor in writing, and by a witness to his signature, if so required by the Board. If the appointer is a corporation, the Appointment Instrument shall be drawn up in writing and signed in the manner binding the corporation. The Board of Directors may demand that the Company be given written confirmation, to the Board of Directors' satisfaction, of the signatories' authority to bind the corporation
- 9.12.6 The Appointment Instrument shall be drawn up in the following form of wording or in a form of wording as similar thereto as possible:

"I \_\_\_\_\_, of \_\_\_\_\_, as a shareholder of \_\_\_\_\_ Ltd, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or in his absence \_\_\_\_\_ of \_\_\_\_\_ as my proxy, to vote in my name and stead in respect of \_\_\_\_\_\* shares of \_\_\_\_\_\*\* class which are held by me, at the (annual/special) General Meeting of the Company to be held on \_\_\_\_\_ and at any adjourned meeting thereof.

As witness my hand on \_\_\_\_\_

\_\_\_\_\_  
Signature

\* State the number of shares. \*\* State the class of shares.

- 9.12.7 Without derogating from the provisions of these Articles regarding the appointment of a proxy, a shareholder holding more than one share shall be entitled to appoint more than one proxy, subject to the following provisions:

- 9.12.7.1 Each Appointment Instrument shall state the class and number of shares in respect of which it is being given;
- 9.12.7.2 if the overall number of shares of any class specified in the Appointment Instruments given by one shareholder exceeds the number of shares of such class registered in his name or specified in the certificate of title, as the case may be, all the Appointment Instruments given by such shareholder shall be void.
- 9.12.8 A shareholder or proxy may vote by virtue of some of the shares held by him or in respect of which he is acting as proxy and he may vote one way by virtue of some of the shares and a different way by virtue of others.
- 9.12.9 A vote given by virtue of an Appointment Instrument shall be valid even if there is a defect in the Appointment Instrument and even if prior to the vote the appointer dies or becomes legally incapacitated or the Appointment Instrument is cancelled or the share in respect of which it was given is transferred, unless written notice is received at the office prior to the meeting regarding the defect, death, incapacitation, cancellation or transfer, as the case may be
- 9.12.10 The Appointment Instrument shall also be valid in respect of any adjourned meeting of the meeting to which the Appointment Instrument relates, unless otherwise stated in the appointment instrument.
- 9.12.11 A shareholder may not participate in or vote at any General Meeting, himself or by proxy, save by virtue of the shares the consideration for which has been fully paid to the Company.
- 9.12.12 Each of the ordinary shares vests the holder thereof with the right to participate in the Company's General Meeting and to one vote.
- 9.12.13 A resolution put to the vote at a General Meeting shall be decided on a poll; the vote on a poll shall be affected in the manner determined therefor by the meeting's chairman. In the event of disputes whether to accept or disqualify any vote, the meeting's chairman shall decide the matter, and his decision in good faith shall be final and binding.
- 9.12.14 Subject to these Articles and the Law or these Articles regarding another majority, the General Meeting's resolutions shall be passed by a simple majority.
- 9.12.15 The General Meeting's chairman may, with the consent of the meeting at which a quorum is present, adjourn the meeting or adjourn the discussion or the passing of a resolution on a particular matter on the agenda to another time and at a place determined by the meeting; and the General Meeting's chairman shall be compelled so to do at the meeting's demand. No matter shall be discussed at an adjourned meeting save for a matter that was on the agenda and in respect of which a resolution was not passed at the meeting at which the adjournment was decided upon.

## **10. DIRECTORS**

- 10.1 The Directors shall be elected by Resolution of Shareholders or by Resolution of Directors.

- 10.2 Subject to Regulation 10.1, no person shall be appointed as a director of the Company unless the following is disclosed to the Directors of the Company if appointment is to take place by way of Resolution of Directors or the Shareholders of the Company if the appointment shall take place by way of Resolution of Shareholders in the form of a written declaration (the **"Declaration"**): (i) whether the Person has been convicted by a Judgment of an offense stated in Regulation 10.2(a) where the period has not yet passed in which the person is prevented from being appointed as a director under Regulation 10.2(a); (ii) whether the Person has been convicted by a Judgment of an offense as stated in Regulation 10.2(b), where the period determined by the court under the same Regulation 10.2(b) has not yet passed; (iii) whether the Administrative Enforcement Committee imposed Enforcement Measures which prohibits the Person from serving as a director of any Public Company or any Private Company which is a Debentures Company and the period determined by the Administrative Enforcement Committee as stated has not yet passed under Regulation 10.2(c). The Declaration shall be kept at the registered office of the Company.
- (a) A person convicted by a Judgment of one of the following offenses shall not hold office as a director in the Company unless five years have passed since the date on which the Judgment by which he was convicted was given: (i) Offenses of: (1) bribery, (2) theft of company property by a manager of the company, (3) obtaining anything by deceit, (4) forgery, (5) use of a forged document, (6) inducement by deceit, (7) false registration in documents of a company, (8) offenses by managers or employees of a company, (9) failure to disclose information and misleading publication by an officer of a company, (10) deceit and breach of trust in a company, (11) deceitful concealment (12) blackmail with use of force, (13) blackmail by threats, (14) use of information by an insider, (15) use of inside information the source of which is an insider, (16) offer and sale of securities to the public in Israel not in accordance to a prospectus or a draft prospectus, (17) causing a misleading item to be included in a draft prospectus or in a prospectus, (18) causing a misleading item to be included in information presented at a meeting of the company's employees, (19) issuing an opinion, report or certification which is subsequently included or referred to in a prospectus, report, notice or purchase offer specification, knowing that the opinion, report or certification contained a misleading item, (20) causing a report, notice, registration document or purchase offer specification, submitted to Israel Securities Authority or TASE to contain a misleading item, (21) including a misleading item in one of its reports, publications or in other information provided by it (22) fraud in connection with securities; or (ii) Conviction by a court anywhere in the world of the offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information.
- (b) A person convicted by a Judgment which is not listed in Regulation 10.2 above shall not hold office as a director in the Company, if a court has determined that by virtue of the substance, severity or circumstances, the Person is not permitted to serve as a director of a Public Company or a Private Company which is a Debentures Company for a period determined by the court which shall not exceed five years from the date on which the Judgment was given.
- (c) Where the Administrative Enforcement Committee has imposed a means of enforcement on a Person preventing the said Person from serving as a director of a Public Company or a Private Company which is a Debentures Company, the same person shall not be appointed as director of the Company in which the person is prohibited from serving as a director based on the same decision.

- 10.3 The minimum number of Directors shall be two (2). Until full repayment of the outstanding balance of the G Bonds (including principal, interest and any other payment due under the trust agreement of the G Bonds), the Board shall include at least: (i) two (2) External Directors; and (ii) one (1) Non-External Independent Director (as defined in the Articles) in addition to the two (2) External Directors.
- 10.4 Each Director holds office for the term, if any, fixed by the resolution appointing him, or until his earlier death, resignation or removal save for External Directors and Non-External Independent Directors whose term in office is outlined in Regulation 11.9 and 1.1 respectively. If no term is fixed on the appointment of a Director, the Director serves indefinitely until his earlier death, resignation or removal.
- 10.5 No Person shall be appointed as a Director of the Company unless he has consented in writing to act as a Director.
- 10.6 Notwithstanding anything in these Articles or in any agreement between the Company and any Director, the Company may by a Resolution of the Shareholders, of which special notice has been given in accordance with section 136 of the Law, remove any director. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.
- 10.7 If the Company becomes aware that a Director was appointed contrary to the provisions of Regulations 10.2(a), or that a Director has breached the provisions of Regulations 9.3 or 10.8, the Shareholders shall terminate the office of such Director in the manner described in Regulation 11.9 above, if it finds that the said conditions are fulfilled, and such office shall expire on the date of such resolution. Additional requirements for the removal of an External Director are outlined in Regulation 11.9.
- 10.8 If after his appointment as a director of the Company, a Director has been convicted of an offense provided in Regulations (a) or 10.2(b), the Person shall inform the Company as soon as is reasonably practicable and the Person's office shall be terminated by the Directors or Shareholders of the Company in accordance with Regulation 11.9 שגיאה! מקור ההפניה לא נמצא, and it shall not be possible to reappoint the said person as a Director unless the time period during which the Person is prohibited from serving as a Director, as provided in Regulation (a), has passed.
- 10.9 Subject to the provisions of the Law, if after his appointment as a director of the Company, the Administrative Enforcement Committee has resolved to impose means of enforcement on a Person preventing the Person from being appointed as a director in any Public Company, any Private Company which is a Debentures Company or in the company in which the person is appointed as provided in Regulation 10.2(c), the said Person shall notify the Company as soon as is reasonably practicable thereof and the Person's office shall be terminated by the Shareholders of the Company in accordance with Regulation 11.9 שגיאה! מקור ההפניה לא נמצא, and the Person will not be permitted to be reappointed as a Director in the Company in which the said prohibition applies, unless the prohibition period as stated by the Administrative Enforcement Committee has passed.
- 10.10 Subject to the provisions of the Law, a Director may resign his office by giving written notice of his resignation to the Company and the resignation has effect from the date the notice is received by the Company from such later date as may be specified in the notice. In addition to the requirements outlined in Regulations 10.3, 10.8-10.10, a Director shall resign forthwith as a Director if he is, or becomes, disqualified from acting as a Director under the Law and the Articles.



- 10.11 Subject to the provisions of the Law, Directors may at any time appoint any Person to be a Director either to fill a vacancy or as an addition to the existing Directors. Where the Directors appoint a Person as Director to fill a vacancy, the term shall not exceed the term that remained when the Person who has ceased to be a Director ceased to hold office.
- 10.12 A vacancy in relation to Directors occurs if a Director dies or otherwise ceases to hold office prior to the expiration of his term of office.
- 10.13 The Company shall keep a register of Directors containing: (i) the names, addresses, nationality, occupation, details of other directorships of the persons who are Directors of the Company; (ii) the date on which each person whose name is entered in the register was appointed as a Director of the Company; (iii) the date on which each person named as a Director ceased to be a Director of the Company; and (iv) such other information as may be prescribed by the Law.
- 10.14 The register of Directors may be kept in any such form as the Directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until a Resolution of Directors determining otherwise is passed, the magnetic, electronic or other data storage shall be the original register of Directors.
- 10.15 A Director is not required to hold a Share as a qualification to office.

## **11. EXTERNAL DIRECTORS**

- 11.1 If on the date of appointment of an External Director, all members of the Board of Directors of the Company which are not Controlling Shareholders or Relatives thereof are of one gender, the External Director appointed shall be of the other gender.
- 11.2 The first External Directors shall be appointed no later than three (3) months from the date in which the Company became a Public Company.
- 11.3 An External Director will be appointed by Resolution of Shareholders only after the date on which the said nominee has provided a written declaration in accordance with Regulation and the Audit Committee has confirmed that all of the conditions stated in Regulations 11.4, 13.5 and 13.6 have been met.
- 11.4 Only an individual who is a resident of Israel<sup>1</sup> and who is qualified for appointment as a director (in accordance to Regulations 10.2(a) above) shall be appointed as an External Director and that individual shall either possess Professional Qualifications or Accounting and Financial Expertise. At least one of the External Directors shall possess Accounting and Financial Expertise.
- 11.5 The following individuals shall not be appointed as an External Director of the Company: (i) An individual may not be appointed as an External Director where the individual himself, or whose Relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has a Connection with the Company or with a Controlling Shareholder of the Company or a Relative thereof on the date of appointment or during the two (2) years prior thereto, or to Other Body Corporate, and for a corporation which does not have a Controlling Shareholder or a person holding a Control Block - any Connection to a Person who is, on the date of appointment, the

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<sup>1</sup> The ISA may exempt the company from the demand to Israeli residence.

chairman of the Board of Directors of the Company , the general manager, the president, a Substantial Shareholder or the most senior financial Officer; (ii) An individual may not be appointed as an External Director if the said individual's other position or business does or may give rise to a conflict of interest with the role of director of the Company , or if this might harm the individual's ability to act as a Director; (iii) A director of a company shall not be appointed as an External Director of another company if at such time, a director of the other company is acting as an External Director of the Company; (iv) An individual shall not be appointed as an External Director if the said individual is an employee of ISA or TASE.

- 11.6 Without derogating from the provisions of Regulation 11.5 above, an individual shall not be appointed as an External Director where the individual himself, or whose Relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has business or professional relationship to a Person which is prohibited from having a connection thereto under the provisions of Regulation 11.5 above, even if such relationships are not general, with the exception of negligible Connections, and an individual who has received consideration in violation with the provisions of Regulation 11.8. Where the said relationship exists or where consideration, as stated, was received during the tenure of the External Director, the foregoing shall be considered, for the purpose of Regulations 11.11-11.14 to be a breach of one of the conditions required for the appointment or tenure as an External Director.
- 11.7 On each and every committee authorized to exercise any of the powers of the Board of Directors (in so far as the Law or these Articles permit) at least one External Director shall serve.
- 11.8 An External Director is entitled to remuneration and to a refund of expenses. An External Director shall not receive, in addition to the remuneration to which he is entitled and refund of expenses, any other consideration, directly or indirectly, for acting as a director of the Company. For the purposes of this Regulation, consideration shall not include the grant of an exemption, an undertaking to indemnify, indemnification or insurance.
- 11.9 The term of office of an External Director shall be three (3) years, and the Company may, notwithstanding the provisions of Regulation 11.5 above, appoint the External Director for two (2) additional terms of three (3) years each.
- 11.10 An External Director shall only be dismissed and his tenure shall only expire in accordance with the provisions of Regulations 11.11-11.14 furthermore and the Israeli court may, on the request of the Company, a Director, Shareholder or creditor, order the termination of the tenure of an External Director if it has found that one of the following prevails: (1) the External Director is permanently unable to fulfill his function; (2) during the term of his tenure he was found guilty in a court outside Israel of offenses referred to in Regulation(a);
- 11.11 Subject to the Law, an External Director to which the conditions required by Regulations 11.3-11.6 to serve as an External Director no longer apply shall immediately notify the Company thereof, and his tenure shall be terminated by the Shareholders of the Company in accordance with Regulation. **שגיאה! מקור ההפניה לא נמצא.**
- 11.12 Where the Board of Directors becomes aware that there is a suspicion that an External Director no longer complies with one of the conditions required under Regulations 10.3-10.6 above for appointment as an External Director, or that there is a suspicion that the Director has breached a fiduciary duty to the Company, the Board of Directors or

Shareholders shall discuss such matter at the first meeting to be convened after becoming so aware.

- 11.13 Where the Board of Directors or Shareholders finds, after giving the External Director a reasonable opportunity to present his position, that the External Director no longer complies with one of the conditions required under Regulations 11.3-11.6 for his appointment or that he has breached a fiduciary duty, the Board of Directors or Shareholders shall convene a meeting to terminate the tenure of the External Director in accordance with Regulation **שגיאה! מקור ההפניה לא נמצא.**
- 11.14 The Israeli court may, on the request of either a Director or a Shareholder, instruct for termination of the tenure of an External Director if it has found that the External Director no longer fulfills one of the conditions required under Regulations 11.3-11.6 for his appointment as an External Director or that he has breached a fiduciary duty to the Company.
- 11.15 Where the position of External Director becomes vacant and there are no longer two (2) External Directors serving in the Company, the Board of Directors shall convene a Special General Meeting, for the earliest date possible, on the agenda of which shall be the appointment of External Director.
- 11.16 The Company, Controlling Shareholder therein and a company controlled thereby shall not grant an individual appointed as an External Director of the same company, the person's spouse or child with any benefit, directly or indirectly, and shall not appoint the said person, the spouse of child thereof as an Officer of the Company or a company under the Control of a Holder of Control therein, shall not hire such person as an employee and shall not receive professional services from such person in return for payment, whether directly or indirectly, including by way of a corporate body controlled by such person, unless two years have elapsed from the termination of his tenure as External Director of such company, and regarding a Relative who is not a spouse or child - one year from the termination of his tenure as External Director.

## **12. POWERS OF DIRECTORS**

- 12.1 Subject to Regulation 19 and 20, the business and affairs of the Company shall be managed by, or under the direction or supervision of, the Directors of the Company. The Directors of the Company have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The Directors may pay all expenses incurred preliminary to and in connection with the incorporation of the Company and may exercise all such powers of the Company as are not by the Law or by the Memorandum or the Articles required to be exercised by the Shareholders.
- 12.2 Each Director shall exercise his powers for a proper purpose and shall not act or agree to the Company acting in a manner that contravenes the Memorandum, the Articles or the Law. Each Director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the Director believes to be the best interests of the Company.
- 12.3 Any Director which is an other body corporate may appoint any individual as its duly authorized representative for the purpose of representing it at meetings of the Directors, with respect to the signing of consents or otherwise.
- 12.4 The continuing Directors may act notwithstanding any vacancy in their body.

- 12.5 Subject to Regulation 19 and 20, the Directors may by Resolution of Directors exercise all the powers of the Company to incur indebtedness, liabilities or obligations and to secure indebtedness, liabilities or obligations whether of the Company or of any third party.
- 12.6 Subject to Regulation 19 and 20, all cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.

### **13. PROCEEDINGS OF DIRECTORS**

- 13.1 Any one Director of the Company may call a meeting of the Directors by sending a written notice to each other Director.
- 13.2 The Directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside Cyprus as the Directors may determine to be necessary or desirable.
- 13.3 A Director is deemed to be present at a meeting of Directors if he participates by telephone or other electronic means and all Directors participating in the meeting are able to hear each other.
- 13.4 A Director shall be given not less than 3 days' notice of meetings of Directors, but a meeting of Directors held without 3 days' notice having been given to all Directors shall be valid if all the Directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a Director at a meeting shall constitute waiver by that Director. The inadvertent failure to give notice of a meeting to a Director, or the fact that a Director has not received the notice, does not invalidate the meeting.
- 13.5 A Director may by a written instrument appoint an alternate who need not be a Director and the alternate shall during such period be entitled to attend and vote in any meeting of the Board of Directors and he shall generally have and exercise all rights, powers and duties of the Director appointing him. If an alternate is already a Director, he shall have a separate vote, as alternate director and shall be counted separately for the purposes of constituting a quorum.
- 13.6 A meeting of Directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of Directors.
- 13.7 At meetings of Directors at which the Chairman of the Board is present, he shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present, the Directors present shall choose one of their number to be chairman of the meeting.
- 13.8 An action that may be taken by the Directors or a committee of Directors at a meeting may also be taken by a Resolution of Directors or a Resolution of a committee of Directors consented to in writing by all Directors or by all members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts each counterpart being signed by one or more Directors. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the date upon which the last Director has consented to the resolution by signed counterparts.

## **14. COMMITTEES**

- 14.1 The Directors may by resolution designate one or more committees, each consisting of one or more Directors, and delegate one or more of their powers, including the power to affix the Seal, to the committee.
- 14.2 The Directors have no power to delegate to a committee of Directors any of the following powers: (i) to designate committees of Directors; (ii) to delegate powers to a Committee of Directors; (iii) to appoint Directors; (iv) to approve a plan of merger, consolidation or arrangement; or (v) to make a declaration of solvency or to approve a liquidation Plan.
- 14.3 Regulations 16.1(b) and 16.1(c) do not prevent a committee of Directors, where authorized by the Resolution of Directors appointing such committee or by a subsequent Resolution of Directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee.
- 14.4 The meetings and proceedings of each committee of Directors consisting of 2 or more Directors shall be governed *mutatis mutandis* by the provisions of the Articles regulating the proceedings of Directors so far as the same are not superseded by any provisions in the Resolution of Directors establishing the committee.
- 14.5 Subject to the Law, where the Directors delegate their powers to a committee of Directors they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds at all times before the exercise of the power that the committee would exercise the power in conformity with the duties imposed on Directors of the Company under the Law.

## **15. AUDIT COMMITTEE**

- 15.1 The Board of Directors shall by a Resolution of Directors appoint an Audit Committee.
- 15.2 There shall be not less than three (3) members of the Audit Committee. The members of the Audit Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of Audit Committee members shall be either External Directors or Non-External Independent Directors.
- 15.3 A meeting of the Audit Committee is duly constituted for all purposes if at the commencement of the meeting there are present in person a majority of the members of the Audit Committee save that majority present are either External Directors or Non-External Independent Directors and at least one External Director is present.
- 15.4 The following shall not be members of the Audit Committee: (i) the chairman of the Board of Directors; (ii) any director employed by the Company or employed by a Holder of Control thereof or by a corporation under the Control of such a Holder of Control; (iii) a Director providing services on a permanent basis to the Company, (iv) a holder of control thereof or to a corporation under the control of the said Holder of Control and a Director whose main income relies on a Holder of Control; or (v) a Holder of Control or Relative of such Person.
- 15.5 The chairman of the Audit Committee shall be an External Director.
- 15.6 A Person who is not permitted to be a member of the Audit Committee shall not be present at committee meetings during discussions and decision making, unless the chairman of the Audit Committee determines that the Person is required for the presentation of a certain matter. However, an employee of the Company who is not a Controlling

Shareholder or Relative thereof may be present at the Audit Committee meetings during discussions, provided that the resolution is passed in the said person's absence.

- 15.7 Without derogating from Regulation 15.6, the legal advisor and Company Secretary may be present during the discussion and during decision-making, if so requested by the Audit Committee.
- 15.8 The Internal Auditor of the Company shall receive notices of meetings of the Audit Committee and shall be entitled to participate therein. The Internal Auditor may request that the chairman of the Audit Committee convene the committee to discuss such matters as he may specify in a request, and the chairman of the Audit Committee shall convene the a meeting of the Audit Committee within a reasonable time from the date of the request. A notice of a meeting of the Audit Committee at which a matter relating to the audit of financial reports is to be dealt with shall be sent to the External Auditor, who may participate in the meeting.
- 15.9 The functions of the Audit Committee shall be as follows: (i) to locate defects in the Company's business administration, *inter alia*, by consulting with the Company's Internal Auditor or with the External Auditor, and to make proposals to the Board of Directors and provide recommendations to correct such defects. Where the Audit Committee has identified a defect as a material defect, at least one meeting will take place regarding the defect in question, in the presence of the Internal Auditor or the External Auditor, as applicable, in the absence of the Company Officers who are not committee members. Notwithstanding the aforementioned, an Officer may be present for the presentation of a position in a matter that the said Officer is responsible for; (ii) to determine, based on detailed reasons, regarding actions as stated in Regulation 18.6, whether they are material or immaterial actions and regarding Transactions as stated in Regulation 18.6 if they are or are not Extraordinary Transactions for the purpose of their approval under these Regulations, and the Audit Committee may decide as stated regarding a type of action or Transaction, based on a standard determined annually in advance; (iii) to decide whether to approve actions and Transactions requiring the approval of the Audit Committee under Regulations 18.6 and 21.1 herewith; (iv) to review the work plan of the Internal Auditor prior to its submission for approval of the Board of Directors and to propose changes thereto; (v) to review the internal audit system in the Company and the role of the Internal Auditor and whether the resources and tools necessary to fulfill its functions are available to the internal auditor, considering, *inter alia*, the special requirements and size of the Company; (vi) to review the work scope of the External Auditor and the salary thereof, and to provide its recommendations to those who determine its salary; and (vii) to determine the manners with which complaints of Company employees are handled in connection with faults in managing its business and regarding the defense to be given to employees who have complained as stated.

## **16. REMUNERATION COMMITTEE**

- 16.1 There shall be not less than three (3) Persons on the Remuneration Committee. The members of the Remuneration Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of members of the Remuneration Committee shall be External Directors and the rest of the members shall be Directors whose terms of tenure and employment are pursuant to the provisions set forth under Regulation 10.8.
- 16.2 The chairman of the Remuneration Committee shall be an External Director.

- 16.3 The provisions of Regulations 15.4-15.7 shall apply to the Remuneration Committee, *mutatis mutandis*.
- 16.4 The duties of the Remuneration Committee are: (i) to provide a recommendation to the Board of Directors regarding the Remuneration Policy for Officers, as defined in Regulation 21.1, and to provide a recommendation thereto, every three years, regarding the approval of the continued validity of the Remuneration Policy determined for a period exceeding three years, as provided in Regulation 22.2; (ii) to provide a recommendation to the Board of Directors regarding the update, from time to time, of the Remuneration Policy and to review the implementation thereof; (iii) to determine whether to approve Transactions regarding the terms of tenure and employment of Officers requiring the approval of the Remuneration Committee under Regulations 19.1, 21.5 and 21.9;

## **17. OFFICERS AND AGENTS**

- 17.1 The Company may by Resolution of Directors appoint Officers of the Company at such times as may be considered necessary or expedient. Such Officers may consist of a Chairman of the Board of Directors, a president and one or more vice-presidents, secretaries and treasurers and such other Officers as may from time to time be considered necessary or expedient. Any number of offices may be held by the same person.
- 17.2 Regulations (a) and 10.7-10.9 shall apply, *mutatis mutandis*, in regards to Officers that are not Directors.
- 17.3 The general manger or a Relative of the president may only serve as chairman of the Board of Directors in accordance with the provisions of Regulation 17.4. A person directly or indirectly subordinate to the president may not be appointed as Chairman of the Board of Directors. A director of a corporation under the Control of the Company may be appointed as Chairman of the Board of Directors of the Company.
- 17.4 The Chairman of the Board of Directors of the Company or a Relative thereof shall only be granted the powers of the general manger in accordance with the provisions of Regulation 17.5 below.
- 17.5 Notwithstanding the provisions of Regulation 17.4 above, the General Meeting may resolve that for a period of no more than three (3) years from the date of passing the resolution to such effect, the Chairman of the Board of Directors may be authorized to fulfill the role of general manager, or to exercise the powers of the general manager, provided that in counting the votes at the General Meeting, the majority shall include at least two-thirds (2/3) of the Shareholders who are not Holders of Control in the Company or their representatives present at the vote; abstaining votes shall not be taken into account in counting the votes of the said shareholders; provided that a prior consent thereto is granted by the Audit Committee and the Board.
- 17.6 The Officers shall perform such duties as are prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors. In the absence of any specific prescription of duties it shall be the responsibility of the Chairman of the Board to preside at meetings of Directors and Shareholders, the president to manage the day to day affairs of the Company, the vice-presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the secretaries to maintain the register of members, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements

imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.

- 17.7 The emoluments of all Officers shall be fixed in accordance to the provisions of Regulations 21.6-21.12.
- 17.8 The Officers of the Company shall hold office until their successors are duly appointed, but any Officer elected or appointed by the Directors may be removed at any time, with or without cause, by Resolution of Shareholders in accordance with Regulation **שגיאה! מקור ההפניה לא נמצא.**, including in accordance to Regulations 10.7-10.9 above which shall apply, mutatis mutandis. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.
- 17.9 The Directors may, by a Resolution of Directors, appoint any person, including a person who is a Director, to be an agent of the Company. An agent of the Company shall have such powers and authority of the Directors, including the power and authority to affix the Seal, as are set forth in the Articles or in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the matters specified in Regulation 17.6. The Resolution of Directors appointing an agent may authorise the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company. The Directors may remove an agent appointed by the Company and may revoke or vary a power conferred on him.
- 17.10 The Board of Directors may from time to time and at any time by power of attorney appoint any person, company, firm or body of persons, whether nominated directly or indirectly by the directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

## **18. CONFLICT OF INTERESTS**

- 18.1 Subject to section 191 of the Law, a director of the Company shall, forthwith after becoming aware of the fact that he is interested in a Transaction entered into or to be entered into by the Company, disclose the interest to all other Directors of the Company.
- 18.2 For the purposes of Regulation 18.1, a disclosure to all other Directors to the effect that a Director is a member, director or officer of another named company or has a fiduciary relationship with respect to the company or a named individual and is to be regarded as interested in any Transaction which may, after the date of the entry or disclosure, be entered into with that company or individual, is a sufficient disclosure of interest in relation to that Transaction.
- 18.3 A Director or Officer of the Company in exercising his powers or performing his duties shall act honestly and in good faith and in what the Director or Officer believes to be in the best interest of the Company and shall act with the standard of proficiency with which a reasonable Director or Officer would act in the same position and in the same circumstances, taking into account but without limitation, the nature of the Company, the nature of the decision, the position of the Director or Officer and the nature of the responsibilities undertaken including taking reasonable steps, in consideration of the circumstances of the case, to obtain information relating to the commercial feasibility of



an act submitted for his approval or of an act performed by him by virtue of his position, and to obtain all other significant information regarding such acts.

- 18.4 The appointment of a director of the Company with Accounting and Financial Expertise or some other professional Qualification shall not change the liability applicable thereto and to the other Directors of the Company by virtue of any law.
- 18.5 A Director and Officer shall owe a fiduciary duty to the Company and shall act in good faith and for the benefit of the Company, and: (i) shall refrain from any act involving a conflict of interest between the fulfillment of his role in the Company and the fulfillment of any other role or his own personal affairs; (ii) shall refrain from any act involving competition with the business of the Company; (iii) shall refrain from taking advantage of a business opportunity of the Company in order to obtain a benefit for himself or for another; (iv) shall disclose all information to the Company and shall provide it with all documents relating to its interest that reach him by virtue of his position with the Company.
- 18.6 Subject to the Law, the Company may by Resolution of Directors approve any of the acts listed in Regulation 18.5, provided that all the following conditions apply: (i) The Director or Officer is acting in good faith and neither the act nor the approval of the act prejudices the good of the Company; (ii) The Director or Officer has disclosed the essence of his personal interest in the act, including any substantial fact or document to the all members of the Board of Directors, a reasonable time before the date for discussion of the approval; (iii) The Company's approval for acts that are substantial acts shall be given in accordance with the provisions of Regulations 19.1-19.4 herewith regarding the approval of Extraordinary Transactions. The provisions of Regulations 21.3-18.5 herewith regarding the validity of transactions shall apply, *mutatis mutandis*, to the validity of acts.

## **19. TRANSACTIONS WITH CONTROLLING SHAREHOLDERS**

- 19.1 An Extraordinary Transaction of the Company with a holder of Control therein, or an Extraordinary Transaction of the Company with another Person that a holder of Control has a Personal Interest in, as well as the engagement of such a company with a holder of Control therein or with a Relative thereof, directly or indirectly, including through a company under his control, regarding the receipt of services by the Company, and if he is an Officer therein - regarding the terms of his office and employment, and if he is an employee of the Company and not an Officer thereof - regarding his employment in the Company, requires the approval of the Audit Committee (and in a Transaction regarding the terms of tenure and employment - the Remuneration Committee) followed by approval of the Board of Directors by a Resolution of Directors and Shareholders by way of a Resolution of Shareholders.
- 19.2 Approval of the Remuneration Committee and approval of the Board of Directors and Shareholders as stated in Regulation 19.1 above, in a Transaction regarding terms of tenure and employment shall be pursuant to the Remuneration Policy. The Remuneration Committee and thereafter the Board of Directors and Shareholders may, in unique circumstances, approve the transaction other than pursuant to the said policy, provided that the provisions of Regulation 21.8 apply. The provisions of this Regulation shall not derogate from the provisions of Regulation 19.1.
- 19.3 The approval of the Audit Committee or the Remuneration Committee, as applicable and the Board of Directors and Shareholders under the provisions of Regulation 18.1 above, shall be given after the Audit Committee and/or the Remuneration Committee, as applicable and the Board of Directors and Shareholder review, *inter alia*, whether the

Transaction includes a Distribution. Where the Audit Committee or the Remuneration Committee, as applicable or the Board of Directors has determined that a Transaction includes a Distribution, the Transaction shall only be approved after it is confirmed, for this matter, that the provisions of all laws regarding Distributions are upheld. Where the Audit Committee or the Remuneration Committee, as applicable and the Board of Directors and - in a Transaction regarding terms of tenure and employment - Shareholders have determined that a Transaction requiring approval under Regulation 18.1 above, does not include a Distribution, then the foregoing shall examine whether there exists a reasonable concern that the Transaction will prejudice the Company from the ability to meet its existing and expected obligations, when due. Where Audit Committee or the Remuneration Committee, as applicable or the Board of Directors and in a Transaction regarding terms of tenure and employment - Shareholders have determined that such a concern exists, the Transaction shall not be approved.

- 19.4 (a) An individual with a Personal Interest in the approval of a Transaction that is brought before the Audit Committee or the Board of Directors and Shareholders for approval shall not be present during the deliberations and shall not take part in the voting of the Audit Committee or of the Board of Directors. However, a Director or Officer with a Personal Interest may be present for the presentation of the Transaction if the chairman of the Audit Committee or the Chairman of the Board of Directors, as applicable, has determined that he is required for the presentation.
- (b) Notwithstanding the provisions of Regulation 18.4(a), a Director may be present at a deliberation of the Audit Committee and may take part in the voting if the majority of the members of the Audit Committee have a Personal Interest in the approval of the Transaction. A Director may be present at the deliberations of the Board of Directors and may take part in the voting if the majority of the Directors of the Company have a Personal Interest in the approval of the Transaction.
- (c) Where the majority of the Directors on the Board of Directors of a Company have a Personal Interest in the approval of a Transaction as aforesaid in Regulation 18.4(a), the Transaction shall also require the approval of Shareholders by way of a Resolution of Shareholders.
- 19.5 The Audit Committee shall not be permitted to grant an approval required under this Regulation 19, unless the provisions of Regulation 15 apply, at the time of the grant of the approval.
- 19.6 (a) A Transaction of the Company as stated in Sub-Regulation 19.1 with a holder of Control thereof shall not be valid in respect of the Company or the holder of Control (with respect to their relationship) if the Transaction was not approved in accordance with the provisions of this Regulation 19, or if a substantial defect occurred in the approval process, or if the Transaction was effected in a way that deviated substantially from the terms of the approval.
- 19.7 (b) Subject to the Law, a Transaction referred to in Regulation 19.4 shall likewise not be valid in respect of any other Person if such Person knew of the Personal Interest of the holder of Control in the approval of the Transaction, and knew or should have known of the lack of approval of such Transaction as required under this Regulation 19.

## **20. PRIVATE PLACEMENT**

- 20.1 A Substantial Private Placement shall require the approval of the board of directors followed by the approval of the General Meeting.

## **21. REMUNERATION POLICY FOR OFFICERS AND APPROVAL OF TRANSACTIONS**

- 21.1 The Board of Directors by a Resolution of Directors shall determine the Remuneration Policy after considering the recommendations of the Remuneration Committee submitted thereto under Regulation 16.4. The Remuneration Policy must be approved by the Shareholders by way of a Resolution of Shareholders.
- 21.2 A Remuneration Policy for a period exceeding three (3) years requires approval once every three (3) years. Approval pursuant to this Regulation shall be given in the manner with which the Remuneration Policy was determined under Regulation 21.1 above.
- 21.3 The Board of Directors will review, from time to time, the Remuneration Policy as well as the need to adapt it to the provisions of Regulation 21.5 below, if a material change applies to the circumstances previously existing when it was determined or for other reasons.
- 21.4 The Remuneration Policy will be determined, *inter alia*, based on the following considerations: (i) promoting the purposes of the Company, its work plan and its policies on a long-term basis; (ii) creating proper incentives for Officers of the Company, considering, *inter alia*, the risk management policy of the Company; (iii) the size of the Company and its manner of operation; (iv) regarding the terms of tenure and employment which include variable components - the contribution of the Officer in achieving the Company's targets and its profits, all on a long term basis and in accordance with the position of the Officer.
- 21.5 (A) The Remuneration Policy shall include, *inter alia*, reference to the following matters: (i) the education, skills, expertise, professional experience and achievements of the Officer; (ii) the function of the Officer, his scope of responsibility and previous salary agreements signed therewith; (iii) the relationship between the terms of tenure and employment of the Officer to the salary of other Company employees and of employees of contractors employed with the Company, specifically the relationship between the average salary and the median salary of employees as stated and the impact of the gaps between them on the work relationships in the Company; (iv) if the terms of tenure and employment include variable components - the option of reducing the variable components at the discretion of the Board of Directors, and the option of determining a ceiling of the exercise value of the capital variable components which are not paid in cash; (v) if the terms of tenure and employment included retirement grants - the term of tenure or employment of the Officer, the terms of his tenure and employment in this term, the performance of the company in the said term, the contribution of the Officer in achieving the company's targets and for maximizing its profits and the circumstances of retirement.
- (B) The Remuneration Policy will set forth, *inter alia*, the following provisions: (i) regarding variable components in the terms of tenure and employment: (a) the components shall be based on performance with a long-term perspective, based on measureable criteria. However, the Company may determine that an insubstantial part of the said components will be granted based on criteria that cannot be measured considering the Officer's contribution to the Company; and (b) the relationship between the variable components and the fixed components, and the ceiling for the value of variable components at the time of payment. However, regarding capital variable components which are not paid in cash - a ceiling of their value on the grant date; (ii) a condition according to which the Officer will

- return to the Company, under the terms determined in the Remuneration Policy, amounts paid thereto as part of the terms of tenure and employment, if paid thereto on the basis of data which was found to be mistaken and which was restated in the financial statement of the Company; (iii) the holding period or minimum vesting of the capital variable components in the terms of tenure and employment, with reference to appropriate incentives on a long term basis; (iv) the limit for Retirement Grants.
- 21.6 The following Transactions of the Company require approval as set out in Regulations 21.7-21.9 below, provided that the Transaction doesn't harm the best interests of the Company: (i) A Transaction of the Company with an Officer (who is not a Director) regarding the terms of his tenure and employment; (ii) A Transaction of the Company with a Director regarding the terms of his tenure and employment, regarding his office as a Director, and regarding his employment in other positions - if so employed;
- 21.7 A Transaction of the Company as detailed in Regulation 21.6(a) excluding a Transaction with the general manager or president of the Company as stated in Regulation 21.10, requires the approval of the Remuneration Committee and thereafter approval of the Board of Directors by way of a Resolution of Directors.
- 21.8 Approval of the Remuneration Committee and the Board of Directors shall be in accordance with the Remuneration Policy. The Remuneration Committee and thereafter the Board of Directors may, in unique cases, approve a Transaction as stated in the same paragraph which is not in accordance with the Remuneration Policy upon the occurrence of two of the following: (a) The Remuneration Committee and thereafter the Board of Directors have approved the Transaction, *inter alia*, based on the considerations listed in Regulation 21.4 above, while addressing the matters listed in Regulation 19.5(A) and provided that the Transaction, *inter alia*, includes the provisions as stated in Regulation 21.5(B); (b) The Shareholders by a Resolution of Shareholders have approved the Transaction.
- 21.9 A Transaction of the Company, with the general manager of the Company, for which the provisions of Regulation 21.6 above apply, requires the approval of the following, in the following order: (i) The Remuneration Committee; (ii) The Board of Directors; (iii) The Shareholders;
- 21.10 Approval of the Remuneration Committee and approval of the Board of Directors as stated in Regulation 21.11 shall be pursuant to the Remuneration Policy. However, the Remuneration Committee and thereafter the Board of Directors may, in unique circumstances, approve the Transaction in a manner different from the said policy, provided that the provisions of Regulations 21.10 are met.
- 21.11 Notwithstanding the provisions of Regulations 21.10 and 21.11, a Transaction of the Company, which complies with the provisions of Regulation 21.6 and is a change of an existing Transaction, shall be subject only to the approval of the Audit Committee or Remuneration Committee, as applicable, if the said committee has confirmed that the change in the terms of employment isn't material in comparison to the existing Transaction.
- 21.12 (a) A Transaction of the Company, which complies with the provisions of Regulation 21.6, requires the approval of the Remuneration Committee, followed by the approval of the Board of Directors by a Resolution of Directors and thereafter the approval of the Shareholders by a Resolution of Shareholders; (b) Approval of the Remuneration Committee and approval of the Board of Directors as stated in this Regulation 21.12, shall be pursuant to the Remuneration Policy, however, the Remuneration Committee and

thereafter the Board of Directors may, in unique circumstances, approve the Transaction other than pursuant to the said policy, provided that the provisions of Regulations 21.6 and 21.8) shall apply.

## **22. INDEMNIFICATION**

- 22.1 Subject to the Law and the limitations hereinafter provided the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who: (i) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a Director of the Company; or (ii) is or was, at the request of the Company, serving as a Director of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise.
- 22.2 The indemnity in Regulation 22.1 only applies if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that their conduct was unlawful.
- 22.3 The decision of the Directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the Articles, unless a question of law is involved.
- 22.4 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.
- 22.5 The Company may purchase and maintain insurance in relation to any person who is or was a Director, Officer or liquidator of the Company, or who at the request of the Company is or was serving as a Director, officer or liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in the Articles.
- 22.6 Subject to Law and the provisions of Regulations 22.1-22.5 above, the Company shall indemnify and insure Officers of the Company with respect to payments they are required to pay as an Enforcement Measure to parties who were injured by a violation in accordance to the resolution of the Administrative Enforcement Committee, or with respect to a payment of expenses incurred in connection with an Administrative Enforcement proceeding that was conducted regarding such person's matter, including reasonable litigation expenses including attorney's fees, and including by way of an advance indemnification.

## **23. RECORDS**

- 23.1 The Company shall keep the following documents at its registered offices: (i) the Memorandum and the Articles; (ii) the register of Shareholders, or a copy of the register of Shareholders; (iii) the register of Directors, or a copy of the register of Directors; and (iv)

copies of all notices and other documents filed by the Company with the Registrar of Corporate Affairs in the previous 10 years.

- 23.2 Until the Directors determine otherwise by Resolution of Directors the Company shall keep the original register of Shareholders and original register of Directors at its registered offices.
- 23.3 If the Company maintains only a copy of the register of Shareholders or a copy of the register of Directors at the registered office of the Company, it shall:
- 23.3.1 within 15 days of any change in either register, notify the secretary of the Company in writing of the change; and
  - 23.3.2 Provide the registered agent with a written record of the physical address of the place or places at which the original register of Shareholders or the original register of Directors is kept.
  - 23.3.3 The Company shall keep the following records at its registered office or at such other place or places, within or outside Cyprus, as the Directors may determine:
  - 23.3.4 minutes of meetings and Resolutions of Shareholders and classes of Shareholders;
  - 23.3.5 minutes of meetings and Resolutions of Directors and committees of Directors; and
  - 23.3.6 An impression of the Seal, if any.
- 23.4 Where any original records referred to in this Regulation are maintained other than at the registered office of the Company, and the place at which the original records is changed, the Company shall provide the secretary of the Company with the physical address of the new location of the records of the Company within 14 days of the change of location.
- 23.5 The records kept by the Company under this Regulation shall be in written form or either wholly or partly as electronic records.

## **24. REGISTER OF CHARGES**

- 24.1 The Company shall maintain at the office of its registered agent a register of charges in which there shall be entered the following particulars regarding each mortgage, charge and other encumbrance created by the Company: (i) the date of creation of the charge; (ii) a short description of the liability secured by the charge; (iii) a short description of the property charged; (iv) the name and address of the trustee for the security or, if there is no such trustee, the name and address of the chargee; (v) unless the charge is a security to bearer, the name and address of the holder of the charge; and (vi) details of any prohibition or restriction contained in the instrument creating the charge on the power of the Company to create any future charge ranking in priority to or equally with the charge.

## **25. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS**

- 25.1 Subject to the Law, The rights and obligations of a shareholder shall be as laid down in the Articles or under the Law.
- 25.2 Shareholders shall have the right to inspect the following documents of the company:
- 25.2.1 Minutes of General Meetings;
  - 25.2.2 the register of shareholders and the register of substantial shareholders,;
  - 25.2.3 any document held by the Company, as provided in article 25.2.5 below;
  - 25.2.4 the Memorandum and Articles of the Company;
  - 25.2.5 Any document which the Company is required to file under this Law and under any law with the Companies Registry or ISA, available for public inspection at the Companies Registry or ISA, as the case may be.
- 25.3 Inspection of Company documents
- 25.3.1 A shareholder shall be entitled to require from the Company inspection of any document in its possession, indicating for what purpose, in any of the following instances:
- 25.3.1.1 the document relates to an act or transaction requiring the consent of the General Meeting as specified in Regulation 9.11.1(b);
  - 25.3.1.2 In a Private Company, if needed for passing a resolution regarding a matter that is on the agenda of the company's General Meeting.
- 25.4 Subject to the documents that the Law provides that a Shareholder is entitled to receive from the company, the Company may refuse the request of the Shareholder if in its opinion the request was not made in good faith or the documents requested contain a commercial secret or a patent, or disclosure of the documents could prejudice the good of the Company in some other way.

## **26. SEAL**

- 26.1 The Seal of the Company shall only be used by the authority of the Directors and every instrument to which the seal shall be affixed shall be signed by one Director or alternate Director, or by the secretary or by some other person appointed by the Directors for this purpose.
- 26.2 The Company may have an official seal, in addition to the aforesaid common seal, which shall be as provided by s. 36(1) of the Law and for use as therein provided.

## **27. DISTRIBUTIONS BY WAY OF DIVIDEND**

- 27.1 The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board of Directors.
- 27.2 No dividend shall be paid otherwise than out of profits.
- 27.3 The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which

shall, at the discretion of the Board of Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board of Directors may from time to time think fit. The Board of Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

- 27.4 Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, or in case a unanimous decision of all the Shareholders of the Company to that effect is passed, such share shall rank for dividend accordingly.
- 27.5 The Board of Directors may deduct from any dividend payable to any Shareholder all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company and they may also deduct from any such dividends any other sums presently payable by him to the Company for any reason.
- 27.6 Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular, but without prejudice to the generality of the foregoing, of paid up shares, debentures or debenture stock of any other Company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Board of Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board of Directors.
- 27.7 Any dividend, interest or other moneys payable in cash in respect of Shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of Shareholders or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the shares held by them as joint holders.
- 27.8 No dividend shall bear interest against the Company.

## **28. ACCOUNTS AND AUDIT**

- 28.1 The Company shall keep records that are sufficient to show and explain the Company's transactions and that will, at any time, enable the financial position of the Company to be determined with reasonable accuracy.



- 28.2 The Company may by Resolution of Shareholders call for the Directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for a financial period and a true and fair view of the assets and liabilities of the Company as at the end of a financial period.
- 28.3 The Company may by Resolution of Shareholders call for the accounts to be examined by auditors.
- 28.4 The auditors shall be appointed by the Shareholders, but no Director or other Officer shall be eligible to be an auditor of the Company during their continuance in office
- 28.5 The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the Shareholders or otherwise given to Shareholders and shall state in a written report whether or not:
- 28.6 (a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of the Company at the end of that period; and (b) all the information and explanations required by the auditors have been obtained.
- 28.7 The report of the auditors shall be annexed to the accounts and shall be read at the meeting of Shareholders at which the accounts are laid before the Company or shall be otherwise given to the Shareholders.
- 28.8 Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the Directors and Officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.
- 28.9 The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of Shareholders at which the Company's profit and loss account and balance sheet are to be presented.
- 28.10 The auditors of the Company shall be appointed and their duties regulated in accordance with section 153 to 156 (both inclusive) of the Law.

## **29. INTERNAL AUDITOR**

- 29.1 As of the date in which the Company became a Public Company, the Board of Directors shall appoint an Internal Auditor; the Internal Auditor shall be appointed at the proposal of the Audit Committee. A Person who has an interest in the Company, who is an office holder in the Company, is a Director or is a Relative of any of the above, as well as the External Auditor or any person acting on his behalf shall not be appointed as Internal Auditor of the a Company.
- 29.2 The following provisions shall apply to the Internal Auditor, subject to the other provisions of this Regulation 29, and mutatis mutandis as the case may be:
- (a) No person shall be appointed and no person shall serve as Internal Auditor in the Company, unless all of the following are satisfied: (1) He is an individual; (2) He is an

Israeli resident<sup>2</sup> ; (3) He has not been convicted of an offense involving moral turpitude; (4) He holds an academic degree from an institute of higher education in Israel or an institute of higher education outside Israel which an institute of higher education in Israel has recognized to this end, or is an attorney-at-law or a certified public accountant (CPA); (5) He has acquired two years' experience in audit work, or has participated in professional training approved by a professional training committee consisting of a representative of the Israeli Institute of Internal Auditors, serving as the Chairman, the Inspector General at the Israeli Ministry of Economics and Planning, and a representative of an institute of higher education in Israel which carries out internal audit studies, prescribed by the Minister in consultation with all Israeli institutes carrying out such studies.

- (b) The Internal Auditor shall perform the internal audit in accordance with generally accepted professional standards.
- (c) The Internal Auditor shall not fulfill, in the Company at which he serves as auditor, another office apart from the internal audit, other than that of the public complaints commissioner or the Officer in charge of employee complaints, provided that the fulfillment of such other office does not adversely affect the fulfillment of his principal position.
- (d) The Internal Auditor shall not fulfill, other than in the Company at which he serves as auditor, any function creating or likely to create a conflict of interests with his function as Internal Auditor.
- (e) The Internal Auditor may demand and receive any document and any information in the possession of the Company, at which he serves as auditor or which is in the possession of any of its employees, and which, in the opinion of the Internal Auditor, is required for the fulfillment of his function. Any person required to deliver such document or information shall be duty bound to comply with such demand within such period and in such manner as designated in the requisition.
- (f) The Internal Auditor will have access, for the purpose of fulfilling his function, to any ordinary or automated information storage, any database and any work program of automated data processing of the Company at which he serves as auditor.
- (g) The Internal Auditor may enter into and examine any property of the Company at which he serves as auditor.
- (h) With respect to information which is confidential under law, the Internal Auditor and anyone authorized to receive the information, will be subject to the statutory limitations applicable to persons authorized to receive such information.
- (i) The Internal Auditor must keep confidential any document or information disclosed to him in connection with the fulfillment of his office, other than where disclosure is required for the fulfillment of his function as required under law or where such disclosure constitutes a statutory requirement.
- (j) Any power conferred under this section on the Internal Auditor and any duty imposed on him, shall also apply to his assistants and any person acting on his behalf.

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<sup>2</sup> The ISA may exempt the company from the demand to Israeli residence.

- (k) Nothing provided in this Regulation shall derogate from the status, the functions and the powers vested in an Internal Auditor in a company in accordance with its documents of incorporation, articles of association or any other duly passed resolution thereof, nor shall same diminish the status, function or power so conferred, and all irrespective of whether or not they are specified in this Regulation.
  - (l) Nothing provided in this Regulation shall prevent a company, in its documents of incorporation, articles of association or in any other duly passed resolution thereof, from adding to the status, functions or powers conferred thereunder on an internal auditor, nor to extend any status, function or power so conferred, and all irrespective of whether or not they are specified in this Regulation.
- 29.3 The organizational supervisor of the Internal Auditor shall be the Chairman of the Board of Directors.
  - 29.4 The Internal Auditor shall submit a proposal for an annual or periodic work program for the approval of the Board of Directors, and the Board of Directors by a Resolution of Directors shall approve it, with such amendments as they see fit.
  - 29.5 The Chairman of the Board of Directors or the chairman of the Audit Committee may require the Internal Auditor to perform an internal audit, in addition to the work program, regarding matters requiring urgent examination.
  - 29.6 The Internal Auditor shall examine, inter alia, the propriety of Company actions in terms of compliance with the applicable laws and proper business administration.
  - 29.7 The Internal Auditor shall submit a findings report to the Chairman of the Board of Directors, to the general manager or president and to the chairman of the Audit Committee. A report relating to matters audited pursuant to Regulation 26.5 above, shall be provided to whoever charged the Internal Auditor with carrying out the audit.
  - 29.8 The appointment of an Internal Auditor shall not be terminated without his consent, nor shall he be suspended from his position, unless the Board of Directors has so resolved after hearing the opinion of the Audit Committee, and after the Internal Auditor is given a reasonable opportunity to present his case to the Board of Directors and to the Audit Committee.
  - 29.9 For the purposes of Regulation 29.8, the quorum required to open a meeting of the Board of Directors shall be no less than a majority of the members of the Board of Directors, notwithstanding the provisions of any other Regulation.

### **30. NOTICES**

- 30.1 Any notice, information or written statement to be given by the Company to Shareholders may be given by personal service or by mail addressed to each Shareholder at the address shown in the register of Shareholders.
- 30.2 Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.

- 30.3 Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

### **31. VOLUNTARY WINDING UP AND DISSOLUTION**

- 31.1 If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Law, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

### **32. CONTINUATION**

- 32.1 The Company may by Resolution of Shareholders or by a resolution passed unanimously by all Directors of the Company continue as a company incorporated under the laws of a jurisdiction outside Cyprus in the manner provided under those laws.

### **33. FINANCIAL STATEMENT COMMITTEE AND AUDIT**

- 33.1 The Board of Directors shall by resolution of directors appoint a Financial Statements Committee. The Financial Statements Committee discussed in its meetings and finalized a conclusion for the Board of Directors regarding all the following: (i) The evaluations and estimates made in connection with the financial statements; (ii) The internal controls relating to financial reporting; (iii) The wholeness and adequacy of disclosure in the financial statements; (iv) The accounting policy adopted and accounting treatment implemented in the Company's material matters; (v) Valuations, including the assumptions and estimates underlying them, on which data in the financial statements rely;
- 33.2 The Auditors will be invited to all the meetings of the Financial Statements Committee and the Internal Auditor will receive notices of the Committee's meetings and may participate thereat;
- 33.3 The Financial Statements Committee will have forwarded its recommendations regarding approval of the financial statements to the Board of Directors a reasonable time prior to the Board of Directors' discussion and reported to it of any defect or problem found during the review;
- 33.4 The Board of Directors discussed the recommendations of the Financial Statements Committee.

The Financial Statements Committee will meet all the following: (i) The number of its members will not be less than three (3) and they meet all the conditions prescribed in Article 15.2 above; (ii) The chairman of the Committee will be an External Director; (iii) All

its members are directors and the majority are Independent Directors; (iv) All its members have the ability to read and understand financial statements and at least one of the Independent Directors has Accounting and Financial Expertise; (v) The Committee's members gave a Statement prior to their appointment; (vi) The quorum for discussing and making decisions on the Committee will be the majority of its members provided however that the majority of the present are Independent Directors including at least one External Director.

**“Statement”**- one of the following: (i) The statement of a candidate for membership in the Financial Statements Committee based on his ability to read and understand financial statements; (ii) With respect of a candidate to serve as a director with Accounting and Financial Expertise in the Financial Statements Committee, a Declaration as prescribed in Article 10.2 above;

An audit committee which meets the conditions included in Article 15 may also serve as a Financial Statements Committee.

**Part 3**  
**Explanatory Statement in relation to the Settlement Plan**  
**MirLand Development Corporation Plc.**  
Incorporated in accordance with the laws of Cyprus  
(the "**Company**")

**Preamble**

The Company was incorporated in Cyprus on 10 November 2004 as a private company in accordance with the laws of Cyprus.

The Company's shares have been traded on the AIM since 2006. During 2007-2014 the Company issued to the Israeli public six (6) series of bonds (totaling approximately NIS1 billion (approximately US\$250 million)) which are listed on the Tel Aviv Stock Exchange.

The Company, through its subsidiaries, purchases, constructs and develops commercial and residential real-estate projects in Russia for commercial purposes.

As a result of the extreme volatility of the Rouble and its resulting severe impact on the economic climate in Russia, as well as the significant sanctions that have been imposed on Russia, the Company has experienced cash-flow difficulties and a reduction in its revenues and profits.

Following such events, on 18 December 2014, the Company announced an anticipated withholding of upcoming payments to the bondholders of series A and B, and on 2 February 2015, on the withholding of payments to bondholders of all series A-F (collectively, the "**Bondholders**").

On 2 February 2015, S&P Maalot lowered the rating of series A-F bonds to D (Default). Additionally, the Company's auditor issued an unmodified opinion which included an 'emphasis of matter paragraph' regarding a "Going Concern" issue to the Financial Statements for the year ending 31 December 2014.

In light of the above, the Company approached the trustees of the Bondholders (the "**Trustees**") in order to commence a dialogue with the intent of restructuring its debt.

As part of the negotiations with its Bondholders, on 26 January 2015, the Company signed a stand-still undertaking letter for the benefit of the Bondholders according to which the Company took upon itself and upon its business operations several 'going concern' obligations.

The parties formulated an arrangement which was approved by the Bondholders on October 2015 (the "**Previous Settlement Plan**").

The Previous Settlement Plan was not completed due to the non-fulfillment of the conditions precedent while at the same time further deterioration of the economic conditions in Russia occurred rendering the Previous Settlement Plan principles to be irrelevant.

The Company announced on 2 February 2016 it had entered into discussions with the Trustees in order to amend the Previous Settlement Plan. During April 2016 the Trustees published the principles of a new proposed arrangement.

On 28 June 2016, the Company filed an application with the District Court of Paphos to convene a meeting of the Bondholders and an extraordinary general meeting of the Shareholders of the Company to approve the Settlement Plan based on the arrangement plan proposed by the Bondholders. On 4 July 2016 the District Court of Paphos approved the Company's application.

On 8 July 2016, the Company announced a series of agreements were entered into with the view of restructuring the debt of its subsidiaries with SberBank of Russia - the main bank financing the Company and its subsidiaries' operations in Russia, (the "**Bank**") with respect to loans granted by the Bank, totaling approximately US\$160 million.

On 11 August 2016, the Company announced that following preliminary meetings with the Bondholders held in Israel on 9 August 2016, the Settlement Plan had been approved between the Company and its Bondholders (Series A-F).

### **Principles of the Settlement Plan\***

1. Approximately US\$219 million of the debt owed to the Bondholders will be converted into equity in the Company, leaving approximately US\$45 million of outstanding bonds (the "**Remaining Debt**"); in this connection, Bonds held by the Company's subsidiaries will not be entitled to be repaid under the Settlement Plan.
2. Jerusalem Economic Ltd., Industrial Building Corporation Ltd. and Darban Investments Ltd. (the "**Controlling Shareholders**") have irrevocably committed to provide funding of up US\$14.1 million in aggregate (including US\$7.3 million which has previously been provided to the Company) (the "**Commitment Amount**") in return for approximately a 19.5% interest in the Company's equity. Such funding shall be by means of a subscription by the Controlling Shareholders (the "**Subscription**") for new ordinary shares of US\$0.01 in the capital of the Company ("**Shares**") and an open offer to Shareholders ("**Open Offer**") and, together with the Subscription, the "**Capital Raising**"). The Controlling Shareholders will subscribe for all new Ordinary Shares offered under the Open Offer (subject to clawback to satisfy valid applications by Shareholders (other than the Controlling Shareholders under the Open Offer). Upon completion of the Settlement Plan (the "**Completion Date**") and for a period of 12 months thereafter (the "**Restriction Period**"), the Controlling Shareholders shall commit, with respect to Shares to be issued to them pursuant to the Capital Raising (the "**Restriction shares**"), as follows: (a): during a period of six months from the Completion Date (the "**First Period**") they will not be allowed to sell or transfer Restricted Shares; (b) from the end of the First Period and until the end of the Restriction Period, they will be entitled to sell and transfer not more than 50% of the Restricted Shares. The above shall not apply to: (a) Sale of Restricted Shares (all or part) as part of a tender offer to be offered (if offered) to all of the Company's shareholders during the Restricted Period; and (b) the sale and transfer of Restricted Shares (all or some) between the Controlling Shareholders and companies controlled by them.
3. After completion of the Capital Raising and TASE Admission the Company shall cancel the admission to trading on AIM.
4. Upon completion of the Settlement, the Bondholders will be interested in approximately 80.5% of the Company's enlarged share capital (which includes the interest held by the Controlling Shareholders and assumes that the Capital Raising has been completed) further to the conversion described above; and

5. The Remaining Debt (i.e. – New series G) will remain unsecured and will be restructured on the following basis: (a) repayment of the Remaining Debt will commence in 2021 with three equal annual installments, (b) the Remaining Debt will bear an annual interest of 1%, which will start to be paid in December 2017. In this connection, the payment of the accrued interest shall be paid at that date, (c) the Company will have the right to repay the Remaining Debt at any time and at its sole discretion without incurring any fees or penalty, (d) there will be no limitation or restriction/covenants on the Company raising any additional secured / unsecured debt, (e) events of default will only be in accordance with Israeli securities law.

**Exhibit A** attached hereto provides the repayment schedule in relation to the Company's series G bonds.

6. Upon the completion of the Settlement Plan, the Company will issue to certain managers of the Company options to purchase shares in the Company (according to the Company sole discretion which upon exercise, will constitute up to 9% of the issued share capital of the Company, immediately after their allocation and the allocation of all Shares under the Settlement Plan (the "**Management Options**"). Such Management Options will be exercisable in four equal instalments, as follows:
  - (a) the first instalment will be exercisable 12 months from the Completion Date;
  - (b) the second instalment will be exercisable 24 months from the Completion Date;
  - (c) the third instalment will be exercisable 36 months from the Completion Date;  
and
  - (d) the four instalment will be exercisable 48 months from the Completion Date.

Subject to meeting performance criteria, all Management Options will expire on the fifth anniversary of the first applicable instalment vesting date set out above. The Management Options shall be subject to adjustments with respect of a rights issue, issuing bonus shares, dividend distribution, changes in equity.

7. Upon completion of the Settlement Plan, a meeting of the shareholders of the Company will be convened in order to approve the adoption of new Articles of Association of the Company, which will include provisions for the appointment of directors to the Company, stating principally, that until full repayment of the unpaid balance of the new bonds (Series G) (the "**Payment Date**"), the board of the Company shall consist of at least two external directors and an additional independent director (according to the definition thereof in the Israeli Companies Law, 5759-1999).
8. Upon completion of the Settlement Plan, officers, directors, employees and controlling shareholders (of the Company and any of its subsidiaries) and their consultants shall receive full waiver from any claims, excluding criminal /fraudulent/ malicious actions. The above will apply with respect to the Trustees and the Bondholders in a reciprocal manner.
9. Completion of the Settlement Plan is conditional upon, amongst other things, the following conditions precedent:
  - (a) the approval of the Settlement Plan by the shareholders of the Company according to the Cypriot Laws;



- (b) the approval of the Settlement Plan by the Bondholders according to the Cypriot Laws;
- (c) the approval of the Settlement Plan by the Cypriot Court;
- (d) the approval of the following by TASE and ISA:
  - (i) changes of the Series A-F Bonds according to the Settlement Plan;
  - (ii) publishing a prospectus with respect to the issuance of the securities under the Settlement Plan, and the issuance of the securities according to it (including to the Options Shares);
  - (iii) registration for trade on TASE of the securities to be issued under the Settlement Plan;
- (e) the receipt of a ruling from the Israeli tax authorities;
- (f) execution a new Trust Deed with the Trustee of the new bond (series G);
- (g) the increase the authorised share capital of the Company;
- (h) the entry into and completion of a debt arrangement with Sberank; and
- (i) the receipt of the signed undertaking by the Controlling Shareholders in respect to the Commitment Amount.

The Company believes that the Settlement Plan scheme as presented above is mutually beneficial for all parties and will enable the Company to continue its operations as a going concern.

Neither the Trustees nor the Directors have personal interests in the Settlement Plan, except for (i) the issue of the Management Options to the Officers as detailed in section 7 of the Settlement Plan, (ii) the issue of the shares and new bonds series to the Controlling Shareholders (who are also the Bondholders) as detailed in section 5 of the Settlement Plan; and (iii) the mutual exemption from claims as detailed in section 13 of the Settlement Plan.

This Explanatory Statement has been drafted for ease of reference only and only contains the main provisions of the Settlement Plan. It should not be considered in anyway as a substitute for a careful review of the Settlement Plan.

### **Exhibit A**

#### **Repayment Schedule in relation to the Company's Series G Bonds**

<b>Date</b>	<b>Balance of Principal (Par Value) (NIS)</b>	<b>Balance of Indexed Principal (NIS)</b>	<b>The Rate Paid Out of the Original Balance of the Principal</b>	<b>The Rate Paid Out of the Unpaid Balance of the Principal</b>	<b>On Account of Interest (Indexed) (NIS)</b>	<b>Interest Rate</b>	<b>Total Payment (NIS)</b>
30/09/2016	173,070,000	N/A	-	-			
31/12/2017	173,070,000	N/A	-	-	2,124,525	1.76%	2,169,655
31/12/2018	173,070,000	N/A	-	-	1,730,700	1.00%	1,730,700
31/12/2019	173,070,000	N/A	-	-	1,730,700	1.00%	1,730,700
31/12/2020	173,070,000	N/A	-	-	1,730,700	1.00%	1,730,700
31/12/2021	173,070,000	N/A	57,690,000	33%	1,730,700	1.00%	59,420,700
31/12/2022	115,380,000	N/A	57,690,000	33%	1,153,800	1.00%	58,843,800
31/12/2023	57,690,000	N/A	57,690,000	33%	576,900	1.00%	58,266,900

**Part 4**  
**Notice of Bondholders' Meeting**

**MIRLAND DEVELOPMENT CORPORATION PLC**  
**(THE "COMPANY")**

**NOTICE OF BONDHOLDERS' MEETING OF THE COMPANY PURSUANT TO THE ORDER OF THE DISTRICT COURT OF PAPHOS DATED 4 JULY 2016 A COPY OF WHICH IS ATTACHED TOGETHER WITH AN EXPLANATORY STATEMENT AS TO THE CONSEQUENCES OF THE SETTLEMENT PLAN**

Terms defined in the Settlement Plan have, unless otherwise defined in this notice or the context otherwise requires, the same meanings when used in this notice.

Notice is hereby given that a Bondholders' Meeting ("**Meeting**") of the Company will be held at Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus on 5 September 2016 at 12 noon (Cypriot time) to transact the following business:

**1           ORDINARY RESOLUTION - APPROVAL OF SETTLEMENT PLAN**

- 1.1        THAT the settlement plan and its appendices, attached hereto, to be entered into between the Company, the holders of Debentures A, Debentures B (including Debentures SA 6/15 and the Interest Entitled), Debentures C, Debentures D, Debentures E Debentures F (the "**Bondholders**"), the Trustee for Debentures A-B, Trustee for Debentures C-D, and the Trustee for Debentures E-F (as defined in the Settlement Plan) (the "**Settlement Plan**"), as attached or with any changes the meeting may by majority approve, be and is hereby approved.
- 1.2        THAT the contents of the Settlement Plan and its appendices, subject as aforesaid, are hereby approved.
- 1.3        THAT all transactions of the Company contemplated under the Settlement Plan and its appendices be and are hereby approved.

By order of the Board  
**ASOTED SECRETARIAL LIMITED**  
Company secretary  
Mirland Development Corporation Plc

Nikodimou Mylona  
33 Marina Court  
8047 Paphos  
Cyprus

19 August 2016

## **NOTES TO THE NOTICE OF BONDHOLDERS' MEETING**

If the resolution is approved it shall be subject to the same being sanctioned by the of District Court of Paphos before which an application with no 25/2016 will be submitted together with a certified copy of the resolution of the Bondholders and shareholders accompanied by the Settlement Plan as it shall be finally approved.

### **Appointment of proxies**

1. Each Bondholder shall be entitled to appoint one or more proxies to attend the above Bondholders' Meeting of the Company, on condition however that such appointment shall be made in one single instrument. A proxy need not be a bondholder of the Company.
2. Any Bondholder in respect of all or any of the bonds they hold may authorise one or more persons to participate and vote at the Bondholder's meeting and may also vote differently in respect of some or all of the bonds they hold.
3. A form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be sent by post to Asoted Secretarial Limited Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus or by email to Suzanne Kalogreades at [suzanne@asoted.com](mailto:suzanne@asoted.com) and to Yevgeny Steklov at [Yevgeny@mirland-development.com](mailto:Yevgeny@mirland-development.com) by 9 a.m. on 1 September 2016.

# MirLand Development Corporation Plc

(Incorporated in Cyprus with registered number HE153919)  
(the "Company")

## Form of Proxy

I/we am/are a bondholder of the Company, entitled to attend and vote at any meeting of the bondholders of the Company. I/we appoint the person named below, or failing him/her the Chairman of the meeting, as my/our proxy in respect of .....<sup>1</sup> to vote on my/our behalf in respect of .....<sup>2</sup> at the Bondholders' Meeting of the Company to be held at the following place and time, and at any adjournment and on any proposed amendments to the resolutions:

Name of member:	
Name of proxy:	
Place of meeting	Office 606, 6th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus
Date of meeting:	10 a.m. BST (12 noon Cyprus time) on 5 September 2016

The proxy will vote on the following resolutions, as indicated:

Ordinary Resolutions	For	Against	Abstain
To approve the terms of the Settlement.			

Please indicate with an X in the space provided how you wish your votes to be cast on each resolution. If you sign and return this form without indicating how the proxy is to vote, he/she will have discretion to vote either way or to abstain.

Signature: ..... Date: .....2016

### Notes:

- 1 The form of proxy must be signed by the bondholder appointing the proxy or by his/her attorney authorised in writing. If the bondholder is a corporation, the form of proxy should be sealed with its common seal or signed by an officer or an attorney of the corporation or other person authorised to sign it.
- 2 The return of this form will not prevent a bondholder from attending in person and voting at the meeting.
- 3 In the case of joint bondholders, the person whose name appears first in the register of bonds has the right to attend and vote at bondholders' meetings to the exclusion of all others.
- 4 To be valid this form of proxy and the authority (if any) under which it is executed or a certified copy of such authority must be sent by post to Asoted Secretarial Limited Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus or by email to Suzanne Kalogreades at [suzanne@asoted.com](mailto:suzanne@asoted.com) and to Yevgeny Steklov at [Yevgeny@mirland-development.com](mailto:Yevgeny@mirland-development.com)

Please complete and return to: Asoted Secretarial Limited Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol Cyprus, or by email to Suzanne Kalogreades at [suzanne@asoted.com](mailto:suzanne@asoted.com) and to Yevgeny Steklov at [Yevgeny@mirland-development.com](mailto:Yevgeny@mirland-development.com)

<sup>1</sup> Please identify the relevant bonds e.g. bond X Series X

<sup>2</sup> Please identify the relevant bonds e.g. bond X Series X