

"Habima" Composition with Creditors - Summary

The Trustees' proposal is based on a range of conditions that only when satisfied cumulatively, will allow the formulation of the Composition with Creditors:

The existence of an arrangement for the management of Habima National Theater and its financing by the State and another public entity on a matching basis, and the consent of the material creditors (the State, the Secured Creditor - Bank Leumi, and the preferential creditors) for the proposed outline, as set out in the arrangement.

A. Sources of the arrangement:

1. **Revenue from the theater's activities:** An amount amounting to 1.5% of its total annual turnover (estimated at approximately NIS 1 million a year, and hopefully more), **for a period of 10 years.**
2. **Claims against third parties:** The revenue (net) from claims against third parties that can be held liable for the company's condition. This procedure is contingent upon the conduct of necessary investigations and examinations, and their results.
3. **State support:** Payment of NIS 4.2m for support to enterprises in distress.

B. The company's debt list:

Below is the Company's debt list, for the time being, for voting purposes only, on the basis of the debt claims filed, and prior to reviewing them:

1. **The Secured Creditor (Bank Leumi):** A total of approx. NIS 12 million;
2. **Preferential Creditors (including employees and provident funds):** A total of approx. NIS 21.5 million.
3. **Ordinary Creditors (including the State):** A total of approx. NIS 65 million.

C. Principles of the proposed Composition with Creditors:

The proposed Composition with Creditors will be executed in the existing corporation, or in a new corporation, at the same time with the dissolution of the Company under Section 350 of the Companies Law and the transfer of its activities to a new corporation, free of any past debts - excluding the liabilities contained in this Composition with Creditors. In any event, the amounts to be paid to the creditors will be the same in every scenario.

1. **Secured Creditor (Bank Leumi):** An arrangement will be made with Bank Leumi, which will convert part of the bank's debt into theater's services (auditoriums rental, shows), at a status of ordinary creditor entitlement with respect of the remaining debt.
2. **Company employees** - Employees' debt claims will be paid in accordance with Chapter H of the National Insurance Law, and be made legal creditors with respect to any amounts beyond the ceiling due to them from the National Insurance Institute.
3. **Preferential Creditors:** The status of preferential creditors, with the exception of the company's employees, will be replaced with the status of ordinary creditor entitlement.
4. **The State of Israel (Ordinary entitlement):** The debt to the State will have the status of a deferred debt.
5. **Ordinary creditors:** The ordinary creditors will be repaid from the funds in the creditors' composition fund, after payment of the creditors' composition expenses and the repayment of the company's preferential debts to the employees.

D. State creditor entitlement:

Subject to a pledge by the State to support Habima National Theater, in matching with another public body, and subject to a waiver by the State of the debts owed to it by the Company, all the Company's creditors will be requested to irrevocably waive any right, cause, claim or demand **towards the State**, regarding any matter related to the Habima Theater.