

ADDENDUM No. 11 – MANUFACTURING COSTS INSURANCE

1. This Addendum forms an integral part of the Insurance Policy.
2. Subject to the provisions of this Addendum and the credit limit, the Insurance Policy shall apply to the manufacturing process of the shipments, provided, however, that the manufacturing period as defined below falls within the insurance period determined in Annex A.

In this Addendum, the following terms shall have the meaning set forth beside them or the meaning given to them in the Policy, as the case may be.

The **Loss** or the **Causes of Loss** – failure to send the shipments in the manufacturing process for the reasons set forth in clauses 3.1.1 and 3.2.1-3.2.9 of the Policy, and cancellation of the buyer's credit limit by the Company.

It is understood that the expiration of a credit limited validity shall not be deemed "cancellation of the credit limit" for the purpose of this clause.

Amount of Loss – the amount of loss pursuant to this Addendum is the total manufacturing costs, as defined below, expended by the Insured for the purpose of manufacturing the shipments according to the order until the date of occurrence of the Causes of Loss as defined in this Addendum or the date the shipment was sent, whichever is the earlier, less:

1. The value of the raw materials, shipments or parts of shipments manufactured by the Insured until the occurrence of the Cause of Loss, as determined by an appraiser who shall be appointed by the Company or according to the price obtainable for them, whichever is the higher.
2. Any and all sums received by the Insured from the buyer on account of the order, before or after the occurrence of the Reasons for the Loss.

Total Manufacturing Costs – the direct costs expended by the Insured in the manufacture of the shipments in the manufacturing period, include the following components:

1. Direct materials – which form part of the finished product and can be directly attributed to it;
2. Direct labor – labor contributing to the conversion of the direct materials or components into the finished product;
3. Direct expenses – those costs which are not materials or labor, which can be directly attributed to the product.

Where the Manufacturing Costs were incurred in a currency other than the New Israeli Shekel, the loss will be calculated according to the representative exchange rate of the currency of expenditure in relation to the Shekel in effect on the date the expense was incurred.

Buyer – any of the following:

1. A Buyer in which respect the approved credit limit expressly states that coverage is extended to also include Manufacturing Costs insurance.
2. A Buyer in which respect Annex A to the Policy states that the Policy is extended to cover Manufacturing Costs.

The **Manufacturing Period** – the period in which the Insured prepared to manufacture and/or manufactured the shipments, provided, however, that this period begins after the Insured has received an order and/or manufacturing agreement and/or sales agreement (hereinafter: the "Order") and no earlier than 15 days from the date whereon the Insured applied to the Company for manufacturing costs insurance, and ends on the date of execution of the shipment or upon the occurrence of the Reasons for the Loss as described above.

It is emphasized that the Manufacturing Costs in which respect the Insured may file a claim shall be the Manufacturing Costs that accrued until the occurrence of the insurance incident.

3. **The engagement**

In consideration for the payment of the insurance premiums set forth in Annex A and subject to the fulfillment of all terms and conditions of the Policy, the credit limit and the other terms and obligations in accordance with this Addendum by the Insured, the Company shall pay the Insured that part of the loss payable as provided in clause 5 of the Policy in respect of the loss caused to the Insured in connection with the manufacture of shipments for the Buyer in the Manufacturing Period, if the loss was caused by one of the Reasons for the Loss which was created in the Manufacturing Period.

4. **The credit limit**

For the avoidance of doubt, it is understood that:

- A. **In no case shall the Company's liability in respect of loss due to a shipment according to its meaning in the Policy and in respect of loss of Manufacturing Costs in their meaning in this Addendum exceed the sum set forth in the credit limit.**
- B. **The Manufacturing Period plus the number of credit days stated in the original account shall not exceed the number of credit days permissible under the credit limit.**

5. **Reports by the Insured**

- A. Shipments shall be reported as provided in clause 12.1 of the Policy.
- B. The Insured shall report to the Company on the occurrence of an incident that caused a loss immediately and by no later than 7 days after the occurrence of the incident that caused the loss which is covered by this Addendum.

6. **Occurrence of the insurance incident**

Occurrence of the insurance incident shall be as provided in the following clauses of the Policy:

- A. Clause 3.1.1 – shall occur according to the provisions of clause 4.1.2.
- B. Clauses 3.2.1-3.2.9 – shall occur at the end of the waiting period that commences on the date of occurrence of the insurance incident.
- C. In a case where the Reason for the Loss is the cancellation of the buyer's credit limit by the Company, the insurance incident shall occur 30 days after the original shipment date.

It is emphasized that the Manufacturing Costs in which respect the Insured may file a claim are Manufacturing Costs which accrued until the occurrence of the insurance incident.

7. Claims

- A. The Insured's entitlement to receive an insurance payout pursuant to this Addendum is in respect of shipments which have not yet been sent to the Buyer.
- B. The burden of proving the claim is on the Insured and at its expense. The Insured covenants to cooperate with the Company or with the party appointed by the Company. In examining the loss, the Company may, itself and/or through others, including an accountant and attorney it shall appoint for this purpose, examine the proof of the loss caused to the Insured. For the purpose of such examination, the Insured shall, if so requested, submit to the Company its accounting reports, management of Manufacturing Costs report, including fixed and variable expenses, itemization of Manufacturing Costs, and any and all other documents requested by the Company with respect to the agreement covered and/or proof of the loss incurred.

8. Premiums

The rate of the insurance premiums shall be determined by the Company in the credit limit and/or in Annex A.

For good order's sake, it is understood that in cases where a premium was not paid due to the fact that at the time of the occurrence of the insurance incident pursuant to this Annex the reporting date of shipments as provided in clause 12.1 of the Policy had not yet arrived, the Insured shall pay to the Company the premiums in respect of Orders which have not yet been shipped to the Buyer.

9. Exceptions

The provisions of this Addendum shall not apply in any of the following cases:

- A. A case in which any of the general limitations on the Insured's liability as provided in clause 3.3 of the Policy applies.
- B. A case in which the Insured has not received all of the permits for the manufacture and/or export of the product, which are required by law in the Buyer's country and/or in the Insured country of domicile.

- C. Cases in which the manufacturing process was discontinued for reasons depending on the Insured and/or its vendors and/or subcontractors, including strike or lockout.
- D. Cases in which the Insured has agreed to a material change in the statement of work according to the Order, a change in delivery dates according to the Order, a change in the consideration for the Order or a change in the payment dates of the consideration – without the Company's approval, in advance and in writing.

10. **Miscellaneous provisions**

All other provisions of the Policy shall remain in effect.

I.C.I.C. – The Israeli Credit Insurance Company Ltd.