

ARTICLES OF ASSOCIATION

OF

DURHAM PLASTIC LIMITED



PRELIMINARY

1. The Company shall be a private company within the meaning of the Companies Acts 1985 to 1989 (hereinafter referred to as "the Act") and subject as hereinafter provided the Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (SI 1985 No. 805) as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (SI 1985 No. 1052) (such Table being hereinafter called "Table A") shall apply to the Company. Reference to any provision of the Act shall where the context so admits be construed as and include a reference to such provision as modified by any statute for the time being in force.
2. Regulations 8, 23, 24, 61, 64, 73, 74, 75, 80, 81, 84, 89, 95, 97, 101 and 118 of Table A shall not apply to the Company, but the Articles hereinafter contained, together with the remaining regulations of Table A, but subject to the modifications hereinafter expressed, shall constitute the regulations of the Company.

SHARES

3. Subject to the provisions of these Articles governing allotment of shares, Sections 89 to 94 inclusive of the Companies Act 1985 shall apply to the Company in their entirety. Any shares not accepted pursuant to the procedure set out therein shall be under the control of the Directors who may allot, grant options over or otherwise dispose of the same to such persons on such terms and in such manner as they think fit; provided that in the case of shares not accepted as aforesaid such shares shall not be disposed of on terms which are more favourable to the subscribers thereof than the terms on which they were offered to the Members.
- A. The share capital of the Company is £2100 divided as follows:
- 1020 Class A Ordinary shares of £1 each;
 - 980 Class B Ordinary shares of £1 each;
 - 74 Class A Voting shares of £1 each;
 - 26 Class B Voting shares of £1 each;

- 1,100,000 Class A Redeemable deferred shares of £1 each

The Class A and Class B Ordinary shares shall rank equally in all respects such that each Class A Ordinary share shall confer upon the holder thereof rights identical to those conferred upon the holder of each Class B Ordinary share. The Class A and Class B Ordinary shares shall not confer upon the holders thereof any right to receive notice of, attend or vote at any meetings of the shareholders of the Company, unless such meeting has been called to consider a change in the rights conferred by the said shares on the holders thereof. In the event that a change is proposed in the rights conferred by the Class A or Class B Ordinary shares on the holders thereof, then such change shall only be adopted if approved by special resolution of the holders of the Class A and Class B Ordinary shares, meeting separately. The Class A and Class B Ordinary shares shall however confer upon the holders thereof the sole and exclusive right to receive dividends, if, as and when declared, and/or any other benefits lawfully conferred by the Company, and this to the exclusion of all other classes of shares. All dividends and other benefits shall be divided equally, by share, between the Class A and Class B Ordinary shares. In addition, the holders of the Class A and Class B Ordinary shares shall be entitled to receive any excess remaining and available for distribution to the shareholders in the event of winding up of the Company, after discharge of all lawful debts of the Company and after payment to the holders of the Voting shares of the nominal (par) value thereof.

The Class A and Class B Voting shares shall rank equally in all respects such that each Class A Voting share shall confer upon the holder thereof rights identical to those conferred upon the holder of each Class B Voting share. The Class A and Class B Voting shares shall confer upon the holders thereof the right to receive notice of, attend and vote at all meetings of the shareholders of the Company. In addition the Class A and Class B Voting shares shall confer upon the holders thereof the sole and exclusive right to appoint the Directors of the Company, who shall be appointed and not elected, such that any shareholder holding ten percent (10%) of the then issued and outstanding Voting shares shall be entitled, by notice in writing to the Company, to appoint one (1) Director of the Company for each full ten percent (10%) of the Voting shares so held. Notwithstanding the foregoing, at any time when all of the Class A Voting shares are held by a single shareholder, such shareholder shall be entitled to appoint up to seven (7) Directors of the Company and at any time when all of the Class B Voting shares are held by a single shareholder, such shareholder shall be entitled to appoint up to three (3) Directors of the Company. The right to appoint a Director shall carry with it the right to dismiss such Director and to appoint another Director in the place and stead of the Director dismissed, the whole by notice in writing to the Company. The Class A and Class B Voting shares shall not confer upon the holders thereof the right to receive dividends if, as and when declared and/or any other benefits whatsoever, (all dividends and benefits being reserved for the holders of the Class A and Class B Ordinary shares), other than the nominal (par) value thereof out of any excess remaining and available for distribution to the shareholders of the Company upon its being wound-up.

All holders of shares of Class A and Class B Voting Shares shall, as aforesaid, be entitled to receive notice of an attend, in person or by proxy, all meetings of

shareholders of the Company. At all such meetings each Voting share represented, regardless of its Class, shall confer on the holder thereof, one (1) vote. All decisions and resolutions at all meetings of shareholders shall be adopted on a poll of the shares represented and entitled to vote and not on a show of hands.

The Class A Redeemable deferred shares shall not confer upon the holders thereof any right to receive notice of, attend or vote at any meetings of the shareholders of the Company. Any change in the rights conferred by the Class A Redeemable shares on the holders thereof shall only be adopted if approved unanimously by special resolution of all of the holders of the Class A Redeemable deferred shares. The Class A Redeemable deferred shares shall not confer upon the holders thereof the right to receive dividends of any nature whatsoever. The Class A Redeemable deferred shares shall, however confer upon the holders thereof only the right to receive the nominal (par) value thereof the words "together with any premium paid therein upon allotment" were added pursuant to a Special Resolution of the Company passed on 16th May 1996, if, as and when the holders of the Class A and Class B Voting shares, by resolution concurred in by the holders of at least 75% of the Class A and of at least 75% of the Class B Voting Shares, shall resolve to redeem all or any portion of the then issued and outstanding Class A Redeemable deferred shares.

4. Subject to Article 3 hereof, the Directors are unconditionally authorised for the purposes of Section 80 of the Companies Act 1985, to allot shares up to the amount of the share capital created on incorporation of the Company at any time or times during the period of five years from the date of incorporation. Notwithstanding the foregoing and the provisions of Article 3 hereof, no allotment of any shares shall be approved or registered unless approved by a majority of the Directors, which majority includes at least one Director appointed by the holders of the Class A Voting shares and at least one Director appointed by the holders of the Class B Voting shares.

LIEN ON PARTLY PAID SHARES

5. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) payable at a fixed time or called in respect of that share. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this regulation. The Company's lien on a share shall extend to any amount payable in respect of it.

SHARE TRANSFERS

6. The Directors may in their absolute discretion, and without assigning any reason therefor, decline to register any transfer of any share, whether or not it is a fully paid share. No transfer of any share shall be registered unless approved by a majority of the Directors, which majority includes at least one Director appointed by the holders of the Class A Voting shares and at least one Director appointed by the holders of the Class B Voting shares.

7. The instrument of transfer of a fully paid share shall be signed by or on behalf of the transferor and in the case of shares which are not fully paid up, the instrument of transfer shall in addition be signed by or on behalf of the transferee.

A. Restrictions on Transfer and Encumbering of Shares

- (a) During a period of 24 months commencing on the 28th day of June, 1992 (hereinafter called the "restriction period"), none of the shareholders shall have the right to encumber, charge, pledge or assign their shares or to sell and/or transfer their shares, in whole or in part, and no such act shall be registered or recognised by the Directors, unless such act is approved unanimously by the Directors.
- (b) Except with the unanimous approval of the Directors, no shareholder shall have the right to encumber, charge, pledge or assign its shares or to sell and/or assign its shares, in whole or in part, prior to the discharge by such shareholder of any debt owed by it to the Company whether in respect of loans received by such shareholder from the Company or for any other reason (hereinafter called the "restrictive condition").
- (c) At any time where the holders of the shares of the Company are also the holders of the shares of the company known as PALMAR (PALRAM MARKETING) LIMITED, Number 2725870, (hereinafter called "Palmar") no shareholder of the Company will be entitled to sell and/or transfer its shares in the Company unless, simultaneously with such sale and/or transfer, it sells and/or transfers an identical proportion of its shares, both Ordinary and Voting, in Palmar to and only to the party acquiring its shares in the Company.
- (d) The following sub-paragraphs shall apply only to the Founding Shareholders, as defined in the Memorandum of Association of the Company, and the relationship between them:
 - (i) After the expiration of the restriction period and subject to the restrictive condition and the condition set forth in sub-clause (c) above, if one of the Founding Shareholders (hereinafter the "Offeror") wishes to sell or otherwise transfer its shares in the Company, - and any Founding Shareholder wishing to sell and/or transfer its shares in the Company shall be obliged to offer for sale and transfer an equal proportion of its shares of each Class, Voting and Ordinary, i.e. all of its Ordinary shares and all of its Voting shares or 50% of each class or any other specified but identical percentage of each class, namely Ordinary and Voting shares, - it shall give to the other Founding Shareholder (hereinafter the "Offeree") written notice thereof. Within 30 (thirty) days of receipt of said notice, the Offeree shall be obliged to notify the Offeror, in writing, as to whether it is willing to acquire the shares. If the Offeree fails to notify the Offeror within this period, it will be deemed to have refused the offer.

- (ii) If the Offeree accepts the offer, then the price to be paid by the Offeree for all of the Ordinary and Voting shares of the Offeror in the Company, and in Palmar, when same are fully paid and free and clear of any encumbrance, lien, charge, pledge, attachment and/or any rights of any third party (hereinafter called the "Price"), shall be the sum of US\$500,000 (five hundred thousand US Dollars), less an amount equal to 0.833% of the aforesaid sum multiplied by the number of months which will have elapsed between June 28th, 1992 and the date of completion of the sale, transfer of the shares and payment of the Price. If the sale is of a part only, then the Price will be reduced pro-rata in direct proportion to the Ordinary shares being sold.
- (iii) If the Offeree advises in writing of its unwillingness to purchase the shares or if it is deemed to have refused to purchase the shares as a result of having failed to reply within thirty (30) days, as aforementioned, the Offeror may offer to sell the identical quantity Ordinary and Voting shares of the Offeror in the Company as was offered by it to the Offeree, to a third party, acceptable to the other shareholder in the Company, whose consent shall not be unreasonably withheld, in a bona fide and arms length transaction to be completed within forty-five (45) days from the date on which the Offeror shall notify the Offeree in writing of the name, address and reasonable particulars of such third party, the whole at a price and upon terms and conditions not more favourable to the third party than those at which such shares were offered to the Offeree. If the sale to such third party is not completed within said forty-five (45) days, then the entire procedure set out above must be repeated.

DIRECTORS

- 8. Unless and until otherwise determined by the Company in General Meeting the number of Directors an odd number, not less than five and not more than nine, unless all of the Class A Voting shares are held by a single shareholder and all of the Class B Voting shares are held by a single shareholder, in which case the number of Directors shall be not more than ten (10). If at any time and from time to time there shall be only one Director of the Company, such Director may act alone in exercising all the powers and authorities vested in the Directors. The first Director or Directors of the Company shall be the person or persons named in the statement delivered to the Registrar of Companies in accordance with the Act.
- 9. Any Director may by notice in writing signed by him and deposited at the registered office of the Company appoint an alternate Director to act on his behalf. Such alternate Director shall not be required to be a Director of the Company. A single individual may serve as alternate Director for more than one Director and at any meeting of Directors such individual shall be entitled to cast one vote for each Director for whom he serves as alternate. Every alternate Director shall during the period of his appointment be entitled to notice of Meetings of Directors and in the absence of the

Director appointing him to attend and vote thereat as a Director, but his appointment shall immediately cease and determine if and when the Director appointing him ceases to hold office as a Director. A Director who is also an alternate Director shall be entitled, in addition to his own vote, to a separate vote on behalf of the Director whom he is representing.

10. The office of a Director shall be vacated if:
- (a) by notice in writing delivered to the Company at its Registered Office, or tendered at a meeting of the Directors, he resigns the office of Director; or
 - (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
 - (c) he is, or may be, suffering from mental disorder and either
 - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, and application for admission under the Mental Health (Scotland) Act 1960, or
 - (ii) an order is made by a Court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
 - (d) he ceases to be a Director by virtue of any provision of the Act or he becomes prohibited by law from being a Director; or
 - (e) he is removed from office by the holder of the Voting shares who appointed him.

MANAGING DIRECTORS AND MANAGERS

11. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such period and on such terms as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. His appointment, subject to the payment to him of such compensation or damages as may be payable to him by reason thereof, shall be automatically terminated if he ceases from any cause to be a Director.
12. A Managing Director or Manager shall receive such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in another) as the Directors may determine.

PROCEEDINGS OF DIRECTORS

13. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall, when one Director only is in office, be one, and shall, when more than one Director is in office, be that number of Directors which is greater by one than a majority of the Directors then in office, present in person or represented by their respective alternate Directors.

SECRETARY

14. The first Secretary of the Company shall be the person named in the statement delivered to the Registrar of Companies pursuant to the Act.

THE SEAL

15. The Company may have a Seal if it so wishes. If the Company has a Seal the Directors may determine who shall sign any instrument to which the Seal is affixed and unless otherwise so determined it shall be signed by a Director and by the Secretary or by a second Director. The obligation under Clause 6 of Table A relating to the sealing of share certificates shall apply only if the Company as a Seal.

INDEMNITY

16. (a) Subject to the provisions of the Act, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director or other officer or Auditor of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.
- (b) The Directors shall have power to purchase and maintain an insurance policy for any Director, officer or Auditor of the Company effecting cover against any such liability as is referred to in Section 310(1) of the Act.

NAMES AND ADDRESSES OF SUBSCRIBERS

CCS SECRETARIES LIMITED
120 East Road
London N1 6AA

CCS DIRECTORS LIMITED
120 East Road
London N1 6AA

Dated the 1st June 1992

Witness to the above Signatures:-

MICHAEL NORMAN CLAFF
120 East Road
London N1 6AA

CHARTERED ACCOUNTANT

SPECIAL ARTICLES

- (a) No appointment of independent auditors of the Company at the annual General Meeting of shareholders shall be valid unless the appointment is concurred in by a majority of the holders of the Class A Voting shares after consultation with the holders of the Class B Voting shares.
- (b) Without purporting to derogate from the mandatory provisions of the Act governing increases in the authorized share capital of the Company, no resolution of the shareholders purporting to increase the authorized share capital of the Company shall be deemed to be validly adopted unless concurred in by a majority the shares represented at the meeting of shareholders at which such increase is proposed, which majority includes not less than seventy-five percent (75%) of all of the then issued and outstanding A and B Voting shares.
- (c) Without purporting to derogate from the mandatory provisions of the Act governing any of the following matters, no decision of the Directors or shareholders, as applicable, shall be adopted with respect to any of the following matters, unless, where the matter is to be decided by the Directors, concurred in by a majority of the Directors, or their alternates, which majority includes at least one Director appointed by the holders of Class A Voting shares and at least one Director appointed by the holders of the Class B Voting shares, or where the matter is to be decided by the shareholders, concurred in by a majority of both the Class A and Class B Voting shares:
 - (i) Adoption of the annual capital investment plan of the Company;
 - (ii) Acquisition of a production line and/or capital investment of any variety with the objective of increasing the manufacturing capacity of the Company by more than 50% as compared with its production capacity at the time when a proposal to make such acquisition or investment is brought before the Directors;
 - (iii) Suspension of the operation of the plant of the Company for a period exceeding 30 days, unless due to circumstances constituting force majeure;
 - (iv) Alterations in the marketing arrangements of the Company;
- (d) The Directors and shareholders shall act at all times to ensure that the Company will carry on the business of manufacture and sale of PVC products. They will perform and implement the provisions of an Agreement entered into on 28th June, 1992 (hereinafter referred to as the "Founding Agreement") between Electrochemical Industries (Frutarom) Ltd, an Israeli limited company, (hereinafter referred to as "EIF"), on the one hand, and Palram Plastic Works, an Israeli registered partnership, and/or Paltuv Ltd, an Israeli limited company, (hereinafter referred to jointly as "Palram"), on the other hand, (EIF and

Palram being hereinafter referred to as the "Founding Shareholders") and to adhere to the relevant provisions of the Founding Agreement which refer to the Company as the "Manufacturing Company".

- (e) The Company will not engage in any business other than that stated in paragraph 3.A of its Memorandum of Association and will not engage in any matter detrimental to the interests of either of the Founding Shareholders, unless the engaging in such business or matter shall be approved by a majority of both the Class A Voting shares and the Class B Voting shares then held by the Founding Shareholders.
- (f) No appointment of solicitors of the Company shall be made unless concurred in by a majority of the Directors appointed by the holders of the Class A Voting shares after consultation with the Directors appointed by the holders of the Class B Voting shares.
- (g) No appointment of the Chairman of the Board of Directors shall be made unless concurred in by a majority of the Directors appointed by the holders of the Class A Voting shares after consultation with the Directors appointed by the holders of the Class B Voting shares.
- (h) The Directors shall, from time to time, appoint the General Manager of the Company, who need not himself be a Director of the Company. The Directors shall not appoint as General Manager any person whose appointment has not been recommended by a majority of the Directors appointed by the holders of the Class A Voting shares after consultation with the Directors appointed by the holders of the Class B Voting shares.
- (i) The General Manager shall submit annually to the Directors a budget, operating plan and forecast for the subsequent year and same shall be considered and approved by all the Directors with such modifications as they may see fit to make. Thereafter, no material deviation from the budget or operating plan shall be permitted unless and until approved by all the Directors.
- (j) The Directors or shareholders, as the case may be, shall not approve any capital investment in or by the Company, unless such investment is concurred in, where the matter is to be decided by the Directors, by a majority of the Directors appointed by the holders of the Class A Voting shares and a majority of the Directors appointed by the holders of the Class B Voting shares, or, where the matter is to be decided on by the shareholders, by a majority of the Class A and of the Class B Voting shares. However, if the Directors or shareholders, as the case may be, approves the making of such capital investment and should the holders of one class of Ordinary shares (Class A or Class B, as the case may be) decline to participate in any such capital investment in proportion to their holdings of Ordinary shares (the latter hereinafter referred to as "the non-participating shareholders"), then the Directors shall be entitled, notwithstanding any other provision of the Articles, to allot to the shareholders participating in the said investment (the latter

hereinafter referred to as "the participating shareholders"), additional Ordinary shares of the same class as those already held by the participating shareholder in such quantity as will accurately reflect proportionally, the difference between the value of the Company before making the said investment and its value after making the said investment.

- (k) The Directors shall in each year recommend to the annual meeting of the holders of the Class A and Class B Voting shares, the distribution to the Class A and Class B Ordinary shares, by way of dividend or in such other manner as may be recommended and approved, of the profits of the Company lawfully available for distribution to the shareholders.
- (l) The Directors shall act in the manner prescribed in that Agreement in the Hebrew language entered into on the 28th June 1992 between Electrochemical Industries (Frutarom) Ltd, on the one hand, and Palram Plastic Works and/or Paltuv Ltd., on the other, the said Agreement being adopted and confirmed by the Company insofar as its provisions are applicable to the Company.