



**Somekh Chaikin**

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February 16, 2004

Mr. Robert Israel  
Stichting Maror-gelden Overheid  
2501 CC The Hague  
The Netherlands

*Archief Philip Staal*

Dear Mr. Israel,

**Re: Engagement regarding applications processing and additional assistance to Stichting Maror-gelden Overheid**

This letter sets out below the terms of the engagement of KPMG Somekh Chaikin (“we” or “our”) with Stichting Maror-gelden Overheid (“Maror” or “you”) for the provision of various services related to the processing and assessment stages of applications submitted for the purpose of fund grants from Chamber III of Maror (the “Chamber”).

We have prepared this letter following our discussions with representatives of Maror and we have depicted our understanding of the application process relevant to our services (the “Process”) in Appendix A.

**1. Our Services and Deliverables**

Below is a description of the services which we will provide. Please note that we realize that our understanding of the Process will improve once we begin our work and therefore it is possible that certain refinements to the services described will be required. Such refinements will be subject to agreement by both sides.

**Service I – Application Processing Assistance**

- a. Drafting of a summary of any application submitted to the Chamber and entering the applications into the computer system (the “krystal software”). The product of our work will be a document in English outlining the significant and relevant issues arising from the application, in a format similar to the one shown to us in our meeting. We propose that as a first step we refine this format and receive guidance from the Chamber as to its preferences in this respect and inter alia, identification of the issues that should be considered “significant and relevant”.
- b. Participation in the regular biweekly meetings of the Chamber by one representative on our behalf. Our representative’s participation will allow provision of any clarifications and answers regarding the application summary and factual information contained in the application. For the purpose of these meetings, we will be pleased to provide a KPMG conference room designated to accommodate up to 30 people. The conference room is located on the 10th floor of our Tel-Aviv office at 17 Ha’arba’a Street. Our

conference rooms are equipped with projectors and other tools and devices to facilitate meetings. Alternatively, we also have an auditorium (class room style) seating up to 50 people, with similar tools and devices, which we can offer. In addition, we will be responsible for the organization and coordination of the external service providers necessary for these meetings, as follows:

- A company which will provide simultaneous translation services.
- A company which will prepare protocols of the meetings.

The identity of such service providers will be determined by Maror.

- c. Drafting of the decisions made by the Chamber with respect to applications on which it deliberated. The product of our work will be a document, in English, which will be sent to Maror in The Netherlands and will be intended for its use. The document will be in a format prescribed by Maror and will undergo approval of the chairperson of the Chamber.

### **Service II – Financial Analysis of Applications and Applicant Overview**

- d. A succinct financial analysis of the applications submitted to the Chamber. The product of this analysis will be a document, in English, containing a concise summary of the major financial issues, which are expected to be relevant to the Chamber's assessment of the application.
- e. We will ask each applicant to provide pertinent information as to its financial position and regulatory reporting status. For the purpose of this proposal we have assumed that such information will include:
  1. Most recently audited financial statements,
  2. Declaration by the applicant as to its current financial position,
  3. Up to date certifications that the applicant organization has filed its reports properly to the Non-Profit Societies Registrar, and
  4. Income tax and VAT authority certifications regarding filing of relevant statements.

We will review the above information and highlight any salient issues to the Chamber. We suggest that this list be adjusted, as necessary, to meet your requirements.

### **Service III– Progress Report Analysis**

- f. Review of the progress report, which will be submitted by the applicant as required by the Chamber and approved by the applicant's accountant. Our review will consist of a sampling of documents (such as receipts, contracts, etc.) supporting the information included in the applicant's progress report. We propose to discuss the level of depth necessary in such a review with the Chamber and Maror in order to maintain an efficient and cost effective process.

It should be noted that any of the services described above (I, II or III) should, in no case, be construed as any type of audit or review performed in accordance with Generally Accepted Accounting Principles.

To avoid any doubt, it is further clarified that our services will not constitute legal advice of any kind, and should not be considered as such for any intent or purpose.

## 2 Engagement Team

Doron Telem, Partner, Head of Financial Advisory Services Department of KPMG Israel, will be the engagement partner and will have overall responsibility for the engagement.

A specially designated team of consultants will be assigned to the project and will be headed by a senior consultant who will serve as project leader.

The project leader will be responsible for the day to day work of the team and will be the primary client contact.

The project team will undergo specific training pertinent to the tasks required by this engagement.

At your suggestion, we would be pleased to meet with the employees currently performing the administration tasks for the Chamber, in order to assess whether we can employ them or be otherwise assisted by them in a similar capacity. Any decision in this regard will be at our sole discretion.

## 3 Timing

The time frame necessary for the completion of the services detailed above is as follows:

Service I – Application Processing Assistance:

- The application summary will be submitted to the Chamber within a certain number of working days (to be agreed upon between us) prior to the meeting in which the application will be discussed.
- The decision drafts will be sent to Maror within 5 working days from the date of the decision by the Chamber.

Service II– Application Financial Analysis:

- Our financial analysis will be submitted to the Chamber within a certain amount of working days (to be agreed upon between us) prior to the meeting in which the application will be discussed.

Service III– Progress Report Analysis:

- Our review of the progress report will be submitted to the Chamber within 15 working days from the receipt of the report by us.

The time frames listed above are based on our estimation regarding the average extent and scope of the work associated with the above services which is based on our current understanding of the Process. In case deemed necessary, we shall notify you and extend the time frame required for the completion of this work.

Completion of our work within the above time frames will be subject to, amongst other things, full cooperation from the Chamber, the applicants, as well as any external service providers referred to in this proposal, including preparation of necessary schedules and timely responses to our inquiries.

## 4 Fees

Our fees will be charged based on the actual number of hours accrued, according to the following hourly rates:

Job Title	Rate per Hour
Manager/Partner	€ 80
Consultant	€ 62
Administrator	€ 48

Use of the KPMG facilities (conference room) will be complimentary.

The above fees do not include VAT (currently at 18%), which may be applicable. Out-of-pocket expenses (including food and beverages which may be requested for the meetings held at our offices) will be charged separately.

The above fees (and the estimate of the scope below) rest on the assumption that you will be responsible directly for the payment of fees to the two external service providers mentioned in section 1(b) above. Furthermore, to the extent that an application is written in Dutch, translation of the application to English will constitute a separate out of pocket cost which we will add to our fees. We will consult with you as to an appropriate and reliable translation agent.

## **5. Estimate of Scope**

- We estimate that the number of working hours required for Services I and II will be approximately 4,500. This estimate is based on the following assumptions:
  - Up to 100 applications per 6 months will be submitted to us (total of up to 200),
  - The conclusion of the funds granting process within 1 year from the beginning of our work,
  - There will be no unexpected complications in using the “Krystal software”,
  - The above discussed Chamber meetings will be held in KPMG’s offices in Tel-Aviv, and
  - The list of information and services description in section 1 is not significantly altered.

This estimate is based on our current, yet initial, understanding of the Process. We shall endeavor to update this estimate once we have gained more practical experience in the provision of the services.

At your request we would also be prepared to bill on a per application basis at an agreed fee but only following a certain period of time in which we would gain a better understanding and practical experience in the relevant processes.

In any case, it is clarified that our fees will be charged based on the actual number of hours accrued.

- Unfortunately, it is presently too difficult for us to estimate the number of hours which may be required for the performance of Service III.

## **6. Terms of Payment**

The fees stated above will be paid as follows:

At the beginning of every calendar month, we shall issue an invoice stating our fee (including out of pocket expenses) and details of the hours spent during the previous month. Payment of the invoice will be within 30 days.

**7. Other Terms and Conditions Governing Our Relationship**

The additional terms and conditions set out in Appendix B (General Terms of Business) will govern the relationship between KPMG Somekh Chaikin and Maror, with regard to this engagement.

If you are in agreement with the arrangements set out in this letter, please confirm your agreement with its terms by returning to us a copy of the letter duly signed (on all pages). If the contents are not in accordance with your understanding of our agreement, we shall be pleased to receive your further observations and revise the engagement letter accordingly.

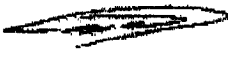
Yours faithfully,


*Somekh Chaikin*

Somekh Chaikin

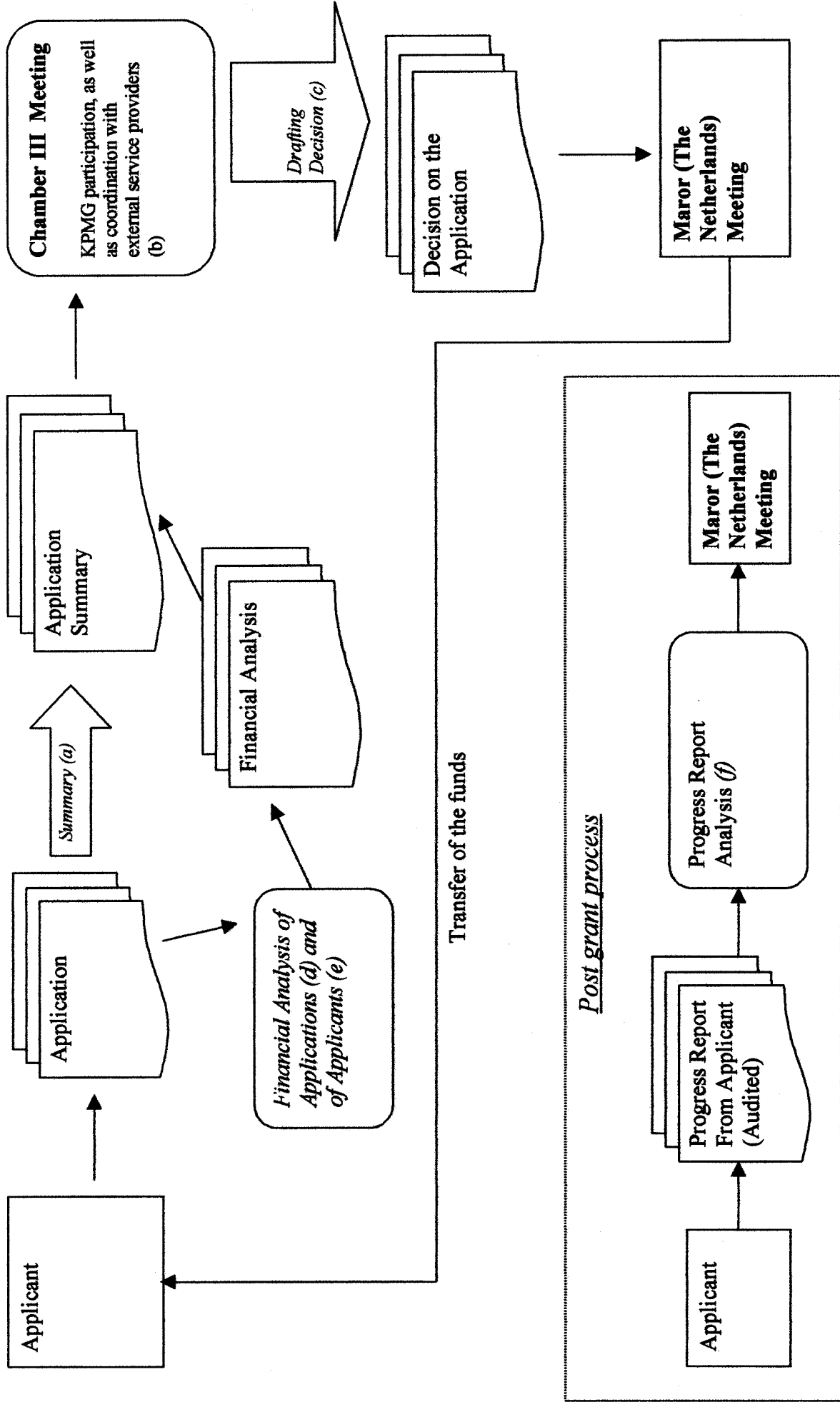
Enclosures    Appendix A- Application Processing Stages  
                  Appendix B - General Terms of Business

I have read and understood the terms and conditions of this engagement letter and attachments and I agree to and accept them for and on behalf of Stichting Maror-gelden Overheid, by whom I am duly authorised:

Signature   
Name        Philip Staal  
Position    Treasurer SMO  
Date        16 February 2004

Signature   
Name        Robert Israel.  
Position    Director SMO  
Date        16 February 2004

**Appendix A – Application Processing Stages**



## **Appendix B – General Terms of Business**

These General Terms of Business apply to the delivery of services by KPMG Somekh Chaikin to Maror.

### **1. Confidentiality**

You declare that you are aware and agree that any information that is furnished to you by KPMG Somekh Chaikin, including this letter of engagement, comes within the framework of the provision of the services that are the subject of this engagement and is solely for the use of Maror, including Chamber III, and that you may not pass such information on to third parties, other than for regulatory purposes or for compliance with legal obligations, quote it, make full or partial reference to it, or use it for other purposes without the previous written consent of KPMG Somekh Chaikin having been obtained.

### **2. Information Relevant to the Services to be Rendered by KPMG Somekh Chaikin**

To enable us to perform our services, you shall supply promptly all information and assistance and all access to documentation in your possession, custody or under your control and to personnel under your control where required by us. You shall use your best endeavours to procure these supplies where not in your possession or custody or under your control. You shall inform us of any information or developments which may come to your notice and which might have a bearing on our services.

We may rely on any instructions or requests made or notices given or information supplied, whether orally or in writing, by any person whom we know to be or reasonably believe to be authorised by you to communicate with us for such purposes (“an Authorised Person”).

We may communicate with you by electronic mail where an Authorised Person wishes us to do so, on the basis that in consenting to this method of communication you accept the inherent risks (including the security risks of interception of or unauthorised access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices) and that you shall perform virus checks.

We may receive information from you or from other sources in the course of delivering our services. To the fullest extent permitted by local law we shall not be liable to you for any loss or damage suffered by you arising from fraud, misrepresentation, withholding of information relevant to our services or other default relating to such information, whether on your part or that of the other information sources, unless detection of such fraud, misrepresentation, withholding or such other default is evident to us without further enquiry.

We may acquire sensitive information concerning your business or affairs in the course of delivering our services (“Confidential Information”). In relation to Confidential Information we shall comply with the confidentiality standards of our regulatory body and we shall adhere to the confidentiality restrictions imposed on us by any other authority with whose requirements we are bound to comply, as well as any obligations imposed on us by local law. We shall be entitled to comply with any requirement of local law, of our regulatory body or any other authority with whose requirements we are bound to comply to disclose Confidential Information. This clause shall not apply where Confidential Information properly enters the public domain. This clause shall not prohibit our disclosure of Confidential Information where we wish to disclose Confidential Information to our insurers or advisers in relation to professional indemnity matters, in which event we may do so in confidence only.

### **3 Liability**

For the purpose of providing the services that are the subject of this engagement we shall rely solely on such information as has been brought to our attention in accordance with the provisions set forth in this engagement letter and we shall not therefore be liable, in any way whatsoever, for the accuracy of such information and for the use that is made of the same.

It should be emphasized that for the purposes of our work we proceed on the assumption that all the financial and other data that has been furnished to us is accurate and true. Actions taken as part of our services will not constitute an audit of accounts in accordance with generally accepted auditing standards and we will not therefore express any opinion and will not accept any responsibility pertaining to the completeness or accuracy of the information that has been furnished to us and in particular in relation to any future projections.

You agree to indemnify and hold harmless KPMG Somekh Chaikin, its partners, employees and agents from and against any and all costs, expenses, losses, claims, demands, actions, suits or proceedings paid, incurred or suffered by or made or initiated against them or any of them by any third party arising out of or in connection with this engagement, except to the extent that any such costs, expenses, losses, claims, demands, actions, suits or proceedings arise from our willful default.

Without derogating from the foregoing provisions of this clause, the ceiling of our liability, in respect of any damage of whatever type or category, is limited to the amount of such fee as is actually paid to us and we shall not pay any compensation whatsoever apart from the same.

### **4 Term**

Unless terminated sooner in accordance with its terms, the engagement shall terminate upon the completion of our services under this engagement letter. In addition, either party may terminate this engagement letter at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination.

### **5 Other Staff**

We shall not be responsible for the actions and omissions either (a) of any of your other advisers or external service providers, including those who we hold any coordination or organization responsibility over (b) of any agents whom we have appointed with your consent in accordance with the above except where any agent has acted on our express instructions.

### **6 Correspondence and Papers**

All correspondence and papers in our possession or control and generated for our internal purposes or addressed to us relating to the services or the subject matter of the services shall be our sole property.

### **7 Force Majeure**

Neither we or you shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.



## **& Miscellaneous**

All decisions, including those taken with regard to the overall process concerning the granting of funds, will be taken by you alone, and the ultimate responsibility for decisions taken and the application of and use thereof remains solely with you.

This engagement shall be governed by and construed in accordance with Israeli law and all disputes and claims arising hereunder shall be subject to the exclusive jurisdiction of the courts in Tel Aviv, Israel.