

GENERAL FACTORING AGREEMENT AND CUSTOMER PRE-DISCLOSURE FORM

Dear Customer,

Please be informed that the General Factoring Agreement and its annexes, available through the Bank's web site, include the general terms of transaction and explanatory provisions for conducting the factoring transactions smoothly mentioned below and the General Rules for International Factoring (GRIF).

You can access and review through our web site the general rules for international factoring (GRIF) and the original text of interfactor agreements that are mandatory to observe because those rules and agreements are to apply for domestic and foreign practices of factoring transactions.

Please review the factoring agreement and its annexes, GRIF and interfactor agreements, readily accessible through the Bank's web site, together with your legal adviser if necessary, and particularly check if the set of agreement and its annexes, accessible through the said web site, include the printout date.

We would be more than glad if you make an appointment in advance and pay a visit to the Bank to have a meeting and get more information.

EXPLANATIONS ABOUT FACTORING AGREEMENT AND ITS ANNEXES:

I. Subject matter and scope of the agreement and definitions:

This part of the agreement includes the definition of those concepts used in the agreement and its annexes and states that the receivables not bound to any current or future maturity or long-term receivables resulting from sales of goods or services may be subject to factoring transactions.

In order to avoid rendering factoring services for such sales or services offered to entities where the customer acts, either directly or indirectly, as a shareholder, or for any unreal receivables those circumstances are excluded as well as consignment sales where no receivable may actually arise, as a rule, and the Bank's written prior consent or approval shall be obtained for those receivables to be subject to factoring transactions provided that the existence of the receivables and the trade relation are documented.

II. General provisions on the process of factoring services:

1. This provision of the agreement includes the necessary procedure to be pursued for any receivables, which are either due or shall be due, to be subject to factoring transactions, and covers the rules of basing on those receivables transferred to the Bank and included and defined in the special terms of the agreement for the factoring transaction as well as the mandatory process and procedure imposed by the Banking Regulatory and Supervisory Agency.
2. Documenting that the receivables transferred to the Bank are based on a real trade relation is required as per the provisions of the relevant legislation for the purpose of avoiding any repeated financing provided for the same receivable. This provision explains that if Customer is provided with financing, such financing may only be settled when the assigned receivables and any ancillary item relating to the same are actually and consentingly paid by debtor, and the Bank is not liable to follow up or file an action against Customer's debtor or serve any notice or warning to debtor, and governs the said process according to the international factoring rules. If the collection of receivables is bound by some guaranty, it would facilitate the process of collection of the receivables to the benefit of both the Bank and Customer.
3. For any factoring service to be rendered regarding the receivable the essence of the right to receivable must be transferred to the Bank together with all the powers and the extent it covers. There must be an agreement about the transfer of the receivable to third parties to ensure that the assigned receivables are collected especially for foreign transactions and/or where a factoring guaranty is applicable to be able to offer collection services within the frame explained for such receivables.
4. This provision of the agreement aims to achieve the purpose pursued with article (2) above.
5. This provision stipulates that if any financing is offered Customer shall provide a guaranty for such financing to be made available and the ancillary items relating to the same. A supplementary guaranty shall be received and/or the guaranties shall be replaced for the sufficiency of the current guaranties if any gap of guaranty occurs or it is understood that debtor could not pay their debt, regardless of the phase of the factoring service.

For factoring transactions it is essential that the transfer of receivables also covers the ancillary items of the receivable or pecuniary means as per the provisions of Turkish Code of Obligations. It is compulsory and crucial to distinguish between the bills of exchange and the pecuniary means relating to the guaranty to avoid any repeated financing and due to the applicable procedure to be observed specially as per the regulations of the Banking Regulatory and Supervisory Agency.

- 6.** It repeats or explains the provision of the Turkish Code of Obligation relating to the transfer of receivables and governing assignor's guaranty obligation.
- 7.** This provision shall only be applicable if the parties make a separate agreement each year.
- 8.** The provision aims to avoid the termination of the receivables, either in part or full, regarding the assigned receivables. It is mainly based upon the idea of not making any transaction that would prevent the collection of the receivables in the current basic debtor-creditor relationship between Customer and debtor although Customer no longer has the assigned receivables at their disposal. Customer shall be liable to bear any adverse effect that the goods, subject matter of the receivable, may create on the receivable because Customer is directly a party to the transaction giving rise to the receivable with the capacity of seller or producer or acts as merchant. This provision consists of an explanation in line with the provision II/6.
- 9.** The said provision aims to determine whether the receivables serving as a basis for the factoring transactions are based on a real trade relation or not, and factoring companies/banks are obliged to do research in this respect as imposed by the Banking Regulatory and Supervisory Agency. The provision shall also help to determine the rate of financing, which may be made available, of the trading volume that may be defined for debtor and Customer. And Customer warrants that the information or documentation that must be published on internet by companies as per Turkish Commercial Code are correct and the aim is to ensure that the transactions are made properly within the frame of such information or documentation, and it is mentioned that any act to the contrary shall be considered as a gross breach of contract.
- 10.** This provision shall allow the Bank to mitigate the burden of such financing used by Customer and its ancillary items to the extent of the insurance indemnity, settle the Bank's receivables with the insurance indemnity that could be paid and ask any exceeding sum from Customer if the risk occurs.
- 11.** As Customer is a party to the main relationship before their debtor, Customer undertakes to inform the Bank of any transaction or development that may adversely affect the existence or amount of the receivable and settle the financing and its ancillary items used by them for this reason if the assigned receivables are affected adversely. The provision is a repetition of the international factoring rules about the factoring transactions.
- 12.** This provision is based upon the same idea with article 11 reminding that Customer should not be engaged with any transaction adversely affecting the assigned receivables and giving explanatory information to Customer, who no more has the receivable at their disposal with the transfer.
- 13.& 14.** The said provisions define the limits of the collection services of the Bank depending upon whether the factoring guaranty has become effective or not and include explanations based upon the justification that Customer, acting as the relevant party, could exercise the defense rights better as the Bank does not have the opportunity to defend or respond reliably against any objection or plea arising from a legal relationship which the Bank is not a party to, and defines the procedure of re-assignment of the receivables to Customer. It is underlined that the financing used and its ancillary items need to be returned under such circumstances as well. The provision is consistent with the international factoring rules.
- 15.** As for any sale on installments or based on retention of title or any case where any factoring guaranty is applicable, the aim is to mitigate the risk by transferring the rights held by Customer within the frame of such agreements to the Bank as well.
- 16.,17.,18.,19.,20.& 21.** The said provisions include some explanations in line with the international factoring rules regarding the implementation of the factoring transactions and clarify the consequences of the transactions within the frame of international factoring rules.
- 22.** The generally accepted accounting rule to be observed in factoring transactions is explained.
- 23.** The provision specifies that the limits of transaction or factoring guaranty could be changed by the Bank within the frame of factoring rules and explains the provisions also included in the international factoring rules.
- 24.** The provision explains the foreign exchange indexed financing for making the financing available on foreign exchange indexed basis only applicable if explicitly agreed by the parties.
- 25.** The provision governs the procedure of setting off the collections made relating to the assigned receivables against the financing used and its ancillary items.
- 26.** With this provision Customer and Guarantors agree that any information that shall be known to them under the factoring agreement is confidential.

III. Provision on Factoring Guaranty:

1,2,3,4,5,6,7. The provisions in this section are about the conditions necessary for the guaranty function among the factoring transactions to become effective, termination of the factoring guaranty and its retroactive elimination, completely in line with the international factoring rules and practices. These provisions on the factoring guaranty are exclusive to the factoring transactions and the factoring guaranty is distinguished from any bank letter of guarantee or guarantee agreement. It is also prohibited to give any guarantee or security beyond the limits of factoring guaranty with respect to factoring transactions within the frame of the provisions of the relevant regulation. We suggest that you review the said provisions, the Limit Approval Notification form, within the frame of the original text relating to GRIF available on the Company's web site and importantly remind you that the guaranty function of factoring shall only be applicable within the frame of those rules.

IV. Duration and termination of the agreement and its consequences:

This section states that the agreement may be terminated one month later with a written notice served one month in advance and the events that would justify immediate termination are reserved and it governs the consequences of termination.

V. Other cases to apply for export or import factoring:

The provisions in this section are either the repetition of the international factoring rules or the explanations relating to them, and it is not possible to make any export or import factoring transaction by changing or partly cancelling those rules. Likewise the correspondent factor's free power of disposition relating to the receivables is an integral provision of the international factoring rules, and it is mentioned that Customer authorizes the correspondent for this purpose; factoring companies/banks are strictly bound by those rules and accountable against one another for implementing them as is explained.

VI. Miscellaneous provisions:

1. If customer is in a gross breach of the obligations under the factoring agreement, it shall justify the termination of the agreement with immediate effect and the collection of the receivables on the part of the Bank.
2. The provision reminds that any notice shall be served as per the Turkish Commercial Code and the Law on Notices by the parties.
3. It provides that any charge, tax or levy relating to the agreement or the execution of the agreement and any fine, interest or ancillary cost that may be accrued for the Bank due to Customer's transactions shall be born by Customer.
4. It reminds that any amendment in the agreement shall also be in written form.
5. This provision governs the invalidity of some articles of the agreement and the consequences of such invalidity and states that the articles of the agreement which are valid shall be applicable and the regulations about partial definite nullity shall not apply merely for this reason.
6. The article provides that if Customer does not repay the financing and its ancillary items in a timely manner the default provisions shall automatically apply, and includes the default interest rate and the limits for increasing such rate.
7. The said article includes a provision in line with the international factoring rules where it is agreed to apply the factoring guaranty. The article aims to prevent Customer from making sale to the same debtor apart from the relevant factoring/bank, distinguish between good or guaranteed receivables and poor or unguaranteed receivables to prevent Customer from making the Bank suffer from damages, ensure that Customer does not go beyond the loan capability where a factoring guaranty is required for the same debtor and reduce the likelihood of suffering damages for Customer and factoring companies/banks, and it is explained that any act contrary to the article shall be considered as a gross contradiction that would justify the termination of the agreement with immediate effect. However it is possible to make the transactions prohibited under this article subject to the written consent of the factor and/or correspondent factor being obtained.
- 8.,9.,&10. The said provisions indicate that guarantors shall be responsible with the capacity of joint guarantors, they may have recourse to Customer and joint guarantors collectively as provided under law, and specify such costs or expenses to be covered by Customer if applicable due to any action or prosecution expenses or otherwise.
11. It governs the procedure relating to the notices to be served by the parties. It provides that it is compulsory to give a local notification address and inform any changes thereof.
12. It covers the provisions about the possibility of sharing the information explicitly mentioned in the Agreement which belong to Customer or joint guarantors to the extent permitted in the Agreement provided that it is limited with such scope specified in the Agreement.

- 13.** It aims to inform Customer and joint guarantors about the web-based IIF System offered by HSBC Group.
- 14.** Customer and guarantors are asked to document their powers and immediately inform any change in such powers, and the consequences of transacting with any false document are governed.
- 15. & 16.** The provision is about the expenses or taxes being paid by Customer.
- 17.** It is an explanatory provision which is consistent with the written notice available at the workplace that must be included in the agreements as imposed by the Financial Crimes Investigation Board.
- 18.** Customer's shareholding structure and changes in the management are crucial for the factor as it is considered as a distinctive element of the factoring transactions or for factoring transactions. In case of any act of concealing those transactions or where Customer fails to provide information about the circumstances that may occur after signing the agreement and adversely affect Customer's financial condition, the Bank is allowed to terminate the agreement with immediate effect for such rightful grounds that may constitute a gross contradiction to the agreement.
- 19.** A fundamental rule of law about joint indebtedness, or the fact that Customer shall act as joint debtor for the financing used and all of its ancillary items if there are several Customers and the Customer using the financing or the sum of financing used shall not be important in this respect, is explained.
- 20.** This is the provision including an authorization agreement for defining the competent court and court bailiffs within the frame of the Law on Civil Courts.
- 21.** It includes the number of counterparts and the signature date of the agreement.

SPECIAL CONDITIONS: Those are the provisions including the information about the parties' domestic/foreign field of application for the factoring transactions, the Maximum Factoring Volume where debtors could be identified.

The General Factoring Agreement enclosed herewith was delivered to you on/...../..... upon your request.

Bank

Customer

Signature

Signature

HSBC BANK A.Ş.

Address: Esentepe Mah. Büyükdere Cad. No: 128 Şişli 34394 / İstanbul

Registration address: İstanbul Registry of Commerce **Reg. No:** 268376 **MERSIS No:** 2587864588194500

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You may inform us for your recommendations, appreciations and complaints through the "Contact Us" menu available at www.hsbc.com.tr or via HSBC Bank A.Ş. Telephone Banking by dialing 0850 211 0 111

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