

Investors hire auditors to probe Agrexco collapse (Globes)

Institutions want to know why they were not warned about the company's difficulties.

Sources inform "Globes" that Agrexco bondholders have hired Barlev Investigative Auditing to probe the collapse of the government-controlled agricultural produce exporter. The firm has already begun its investigation, and is due to submit its report in a few days.

The investment institutions want Barlev to find out how Agrexco provided them with accounting information that did not warn in time about the company's difficulties until the "day they discovered to their surprise that the company was insolvent", as the source put it. He added that the investment institutions want Barlev to "help them understand how the company ended up in such shape."

The day after Agrexco's trustee Adv. Shlomo Nass published the draft debt settlement for the company, which is under a stay of proceedings, the investment institutions are demanding full repayment of the debt, and are preparing to fight to get it. Needless to say, they reject Nass's proposal out of hand, and are demanding that the government stand behind Agrexco's debts.

The investment institutions are also asking questions about the debts of government companies that are much larger than Agrexco, such as Israel Electric Corporation (IEC) (TASE: ELEC.B22) and Mekorot National Water Company.

"The government should decide what is more expensive - NIS 150 million now, or the effect that an extreme debt settlement at Agrexco will do to the price of debts of larger government companies, which can issue bonds at low prices on the understanding that the state backs them," the source said.

In an earlier statement, the investment institutions warned, "The government's infuriating conduct in the face of Agrexco's collapse creates a deep crisis of confidence between the government and the entire institutional market." The sharply-worded letter was written even before last night's debt settlement offer, which included an 85% write-off on the debt.

Psagot Investment House Ltd., one of Agrexco's largest bondholders, told "Globes", "The proposed debt settlement for Agrexco is utterly unacceptable. The offer completely ignores the bondholders, and does not meet any criteria that Psagot has set.

"This is even truer in the case of a state-owned company, which in practice is run by the government. It should be pointed out that, at the time of the investment the bondholders relied on, among other things, the government standing behind the company in case of trouble. In practice, however, the government is shirking its paying its debts. We intend to demand that the government stand behind the company's debts to its bondholders."

In December 2007, Agrexco issued bonds, mostly to investment institutions. The outstanding debt is NIS 150 million. In late June, Agrexco petitioned the Tel Aviv District Court for a stay of proceedings, because it was insolvent.

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