

THE STATE OF ISRAEL

INVITATION FOR PRE-QUALIFICATION

FOR PARTICIPATION IN A TENDER FOR THE
FINANCE, DESIGN, CONSTRUCTION, OPERATION,
MAINTENANCE AND TRANSFER OF A SEA-WATER
DESALINATION FACILITY AT "SOREK PLANT B"
WITH PRODUCTION CAPABILITIES OF ~~AT LEAST~~
150-200 MILLION M³/YEAR

APRIL 2018

REVISED ON #19/07/2018

1. INVITATION FOR PRE-QUALIFICATION

1.1. General Introduction

The Government of Israel (the "**Government**"), acting on behalf of the State of Israel (the "**State**"), through the Ministries of Energy, Finance and the Water Authority (all are acting through the Tender Committee), initiated a project for the supply, by the private sector, of ~~at least 150-200~~ million m³ per annum of desalinated sea water (the "**Project**").

Introduction

It is the intention of the Tender Committee to execute the Project so that the private sector will be required to finance, design, construct, operate and maintain a seawater desalination facility based on sea water reverse osmosis process, at "Sorek Plant B", with guaranteed production capabilities to be determined and specified under the Tender Documents (see below), but which shall be ~~at least 150-200~~ million m³ per annum, for a period of twenty-four (24) years and eleven (11) months. At the end of the term of the Project, the Project will be transferred to the State at no cost.

During the term of the Project, the State will purchase desalinated water in accordance with the terms and conditions which will be determined and specified under the Tender Documents (see below).

1.2. The Selection Process

The Tender Committee intends to select the private sector entity to execute the Project (the "**Seller**") in the following stages:

The Selection Process

- a. This Pre-Qualification Process; and
- b. A tender process.

1.3. The Pre-Qualification Process

The purpose of this Pre-Qualification Process is to identify Eligible Participants, who will be invited to participate in the tender process.

The Pre-Qualification Process

During the Pre-Qualification Process, Participants will be required to submit Pre-Qualification Submissions in accordance with the provisions of this Invitation in order to demonstrate their compliance with all Pre-Qualification Requirements and all other applicable provisions of this Invitation.

Pre-Qualification Submissions submitted by the Participants will be evaluated by the Tender Committee in accordance with the provisions of this Invitation. Without derogating from the provisions of Sections ~~2.142.14~~ (Reservation of Rights) and 7 (Examination of the Pre-Qualification Submissions), at the end of its evaluation, the Tender Committee will announce the Eligible Participants.

1.4. The Tender Process

Following the completion of the Pre-Qualification Process, the Tender Committee intends to invite all Eligible Participants to participate in the tender process and submit bids for the Project.

The Tender Process

Without derogating from the Tender Committee's rights to postpone any of the dates detailed in Section ~~1.61.6~~ (Anticipated Schedule) in accordance with the provisions of this Invitation, and/or from the State and/or Tender Committee's rights pursuant to Section ~~2.142.14~~ (Reservation of Rights), it is expected that the invitation to submit bids, including the procedures, requirements, selection criteria and the Project agreement (the "**Tender Documents**"), will be issued to Eligible Participants following the completion of the Pre-Qualification Process.

1.5. Invitation for Pre Qualification

The Tender Committee hereby invites Entities or consortia of Entities (joint ventures), to participate in the Pre-Qualification Process, according to the terms and conditions of this Invitation.

**Invitation for Pre-
Qualification**

1.6. Anticipated Schedule

Without in any way limiting the right of the Tender Committee to postpone any of the following dates in accordance with the provisions of this Invitation, the anticipated schedule for the submission of the Pre-Qualification Submissions is as follows:

**Anticipated
Schedule**

- a. Questions Submission deadline: 11 July, 2018.
- b. Pre-Qualification Submissions: 3 September, 2018.

1.7. General Description of the Project

- a. The facility shall be situated at the "Sorek Plant B" plot, as designated in National Infrastructure Scheme 36 (the "**Site**").
- b. National Infrastructure Scheme 36 (without its Appendices) is available in Hebrew at: <http://www.iplan.gov.il>.

**General Description
of the Project**

- c. Without derogating from the provisions of Section ~~2.142.14~~ (Reservation of Rights), a general description of the Project is provided in **Appendix "B"**.

2. TENDERING RULES

2.1. Definitions

All terms used in this Invitation shall have the meaning ascribed thereto herein or in **Appendix "A"**.

Definitions

2.2. Governing Law and Jurisdiction

a. The Pre-Qualification Process and Pre-Qualification Documents shall be governed and construed in accordance with the provisions of all applicable Laws, including the Mandatory Tenders Law 5752-1992, and the Mandatory Tender Regulations 5753-1993 ("**Regulations**").

Governing Law

b. The applicable court at Jerusalem shall have the sole jurisdiction over all matters and all disputes arising in connection with the Pre-Qualification Process.

Jurisdiction

2.3. Waiver

a. Each Participant, Member, Guarantor or Major Subcontractor, who submits or participates in a Pre-Qualification Submission in accordance with these Pre-Qualification Documents, hereby waives any right to seek an injunction with any court, in any legal proceeding, with respect to this process, against the Tender Committee and/or anyone on its behalf and/or against any of the others Participants, including the Eligible Participants, and shall be prohibited from seeking an injunction in such process.

Waiver

b. The foregoing does not derogate from the obligation of any Participant, each of its Members, Guarantors and Major Subcontractors, and anyone on their behalf, to address the Tender Committee, in writing, with a specific and detailed claim or complaint.

2.4. Preparation for Submission

a. By submitting a Pre-Qualification Submission each Participant (and each Entity participating with such Participant) confirms that it has received the complete Pre-Qualification Documents, that it has read, considered and understood the Pre-Qualification Documents, and that it accepts the terms and conditions thereof and all obligations and undertakings specified or implied therein.

Preparation for Submission

- b. Each Participant shall be deemed to have the knowledge of any relevant Law with respect to the Pre-Qualification Process, the Tender and the Project. The Pre-Qualification Submissions shall be prepared and submitted in accordance with any applicable Law, and the Participants (and each Entity participating with such Participant) are assumed to have obtained professional advice with respect to the relevant disciplines, including legal, financial and constructional disciplines, for participating in the Pre-Qualification Process.
- c. The Participants and the Pre-Qualification Submissions shall abide by the Laws. Participants shall be subject to any changes in any of the Laws, should such changes be introduced during the Pre-Qualification Process.

2.5. The Invitation

- a. The Pre-Qualification Documents include this invitation for Pre-Qualification, its Appendices, the Pre-Qualification Forms and any other document issued by the Tender Committee during the Pre-Qualification Process (the "**Invitation**" or "**Pre-Qualification Documents**"). Without derogating from the provisions of Sections 6.1 (Compliance with the Requirements of the Invitation) and 6.2 (No Unauthorized Modification), the Pre-Qualification Forms are also provided to all Participants in MS-Word format.
- b. In the event of discrepancies between any of the provisions of this Invitation, the stricter provision, as determined by the Tender Committee at its sole discretion, shall prevail, unless otherwise determined by the Tender Committee and approved in writing. Any discrepancy shall be brought to the attention of the Tender Committee as soon as possible.

The Invitation

2.6. Severability

The invalidity or unenforceability of any part, provision or section of this Invitation shall not affect the validity or enforceability of other parts, provisions or sections thereof. Any invalid or unenforceable part, provision or section shall be deemed severed from this Invitation, and this Invitation shall be construed and enforced as if this Invitation did not contain such invalid or unenforceable part provision or section.

Severability

2.7. Access to Documents and Purchase of the Invitation

Any Entity wishing to participate in the Pre-Qualification Process may view the Pre-Qualification Documents, without any charge, at the offices of the Tender Committee, at the address set forth in Section ~~2.11.b2.11(b)~~ below, during Sunday-Thursday, between 9:30-14:30, subject to prior coordination with Ms. Ravit Bar-On, the Coordinator of the Tender Committee, phone no. 973-3-9778169; or by sending her a request (via email address: RavitB@inbal.co.il) to receive the Pre-Qualification Documents by email; or at the following website: <https://www.mr.gov.il/OfficesTenders/Pages/SearchOfficeTenders.aspx>

Access to Documents and Purchase of the Invitation

- a. Entities wishing to participate in the Pre-Qualification Process or raise questions to this Invitation are requested to provide a payment of 15,000 NIS (fifteen thousand NIS). No additional payment with respect to the Tender Documents will be charged from the Eligible Participants.
- b. The payment shall be made by any of the following methods:
- (i) By an Israeli credit card - at the following website:
https://ecom.gov.il/Counter/general/homepage.aspx?counter=62&catalog=1&category=AccountantGeneral_1_FastLanes&language=he
 - (ii) By a bank transfer from an Israeli bank account - to the Bank of Israel (bank code: 99, branch code: 001), bank account number 310018130 (Accountant General - NIS income account).
 - (iii) By a bank transfer from a foreign bank account -
Final Beneficiary Bank = Bank of Israel, Jerusalem
Swift code = ISRAILIR
Beneficiary Name = Accountant General – NIS income account
Beneficiary IBAN = ILS370990011310010081303
Text in **Filed** 72: TTC/613
- c. Only Entities who have provided such payment as described in Section 2.7(a) may raise questions to this Invitation, as provided in Section ~~2.112.11~~ (Clarification of this Invitation), and participate in the Pre-Qualification Process, as provided in Section ~~4.34.3~~ (Receipt of Purchase).
- d. It is hereby clarified that an Entity who has not provided such payment may submit a Pre-Qualification Submission, provided that the right to participate pursuant to such payment was assigned or transferred to it from an Entity entitled to participate. A person or an Entity may provide such payment on behalf of another Entity. For the avoidance of doubt, one (1) such payment shall entitle the submission of one (1) Pre-Qualification Submission.
- e. It is hereby emphasized that the sale or purchase of this Invitation does not constitute any recognition of an Entity's (including a Participant's) eligibility, qualifications or competence to meet the requirements and terms of this Invitation and/or the Tender Documents.
- f. Without derogating from the provisions of Section ~~2.142.14~~ (Reservation of Rights), in the event that the Tender Committee will not issue the Tender Documents to the Eligible Participants, the above mentioned charge will be refunded to the Eligible Participants.

2.8. Authorized Representative

- a. Each Participant shall appoint one of its Members, through one individual on its behalf, as an authorized representative for: (i) conducting correspondence with the Tender Committee; and (ii) receiving instructions from the Tender Committee for and on behalf of the Participant (an “**Authorized Representative**”).
- b. Participants shall submit a copy of the receipt for the purchase of the Invitation, as well as the Participant’s contact details (*inter alia*, the name of the Participant, its Authorized Representative, address, phone number, fax number, address, email address etc.) to Ms. Ravit Bar-On, the Coordinator of the Tender Committee, via email address: RavitB@inbal.co.il.
- c. It is hereby clarified that the Tender Committee or anyone on its behalf shall not be responsible in any respect for any damage or loss of any kind whatsoever, suffered by a Participant or anyone on its behalf, due to an error or omission with respect to any information provided by a Participant under this Section.

Authorized Representative

2.9. Cost of Participation in the Pre-Qualification Process

Any and all costs and expenses incurred by Entities (including Participants) and anyone on their behalf and connected to their participation in the Pre-Qualification Process will be borne by such Entities or Participants. Entities or Participants will not be reimbursed or otherwise compensated by the Tender Committee or the State for any costs or expenses so incurred thereby, including in the event of termination of the Pre-Qualification Process for any reason whatsoever.

Cost of Participation

2.10. Language of this Invitation

This Invitation is published in English. However, the Tender Committee reserves the right to issue a Hebrew version of any part thereof.

Language

2.11. Clarification of this Invitation

- a. Participants are responsible for examining, with appropriate care, this Invitation, including all Appendices and Addenda thereto, and for informing themselves with respect to any and all conditions which may in any way affect their participation in the Pre-Qualification Process, including in the preparation and submission of the Pre-Qualification Submissions.
- b. Any Entity who have purchased the Pre-Qualification Documents may raise questions and request clarifications or interpretations to this Invitation, in writing, from the Tender Committee, by no later than the deadline for the submission of questions, as set forth in Section 1.6 (Anticipated Schedule). Such requests shall be addressed to

Clarification of the Invitation

Mr. Yitsik Marmelshtein
Chairman of the Tender Committee
Co./ Ravit Bar-On
Coordinator of the Tender Committee
Division of Public Private Partnership Projects
Inbal Insurance Company Ltd.
Inbal House, 4 Arava St., Airport City
P.O.B 282 Ben-Gurion Airport
Tel: (972-3) 977-8169
E-mail: RavitB@inbal.co.il

With a copy to:

Ms. Michal Schwartz, Adv.
Lipa Meir & Co., Attorneys-at-law
2 Weizmann St., Tel-Aviv
Tel: (972-3) 607-0600
Fax: (972-3) 607-0675
E-mail: Michals@lipameir.co.il

- c. Although the Tender Committee has no obligation to clarify or interpret this Invitation, the Tender Committee may issue an Addendum for purposes of clarification or interpretation in response to such questions or requests, in accordance with the provisions of Section ~~2.122.12~~ (Addenda). Participants shall acknowledge receipt of any Addendum in the manner set forth in Section ~~2.122.12~~ (Addenda).
- d. The Tender Committee shall not be bound by, and Participants shall not rely on, any oral interpretation or clarification to this Invitation.
- e. Any questions or any requests for clarifications or interpretation of this Invitation raised by Participants at a later date than the deadline for the submission of questions as provided in this Section ~~2.112.11~~ will be accepted or rejected at the sole discretion of the Tender Committee.
- f. Without derogating from the rights reserved to the Tender Committee and without in anyway limiting its discretion, the Tender Committee will endeavor to avoid the issuance of Addenda to this Invitation following seven (7) before the Pre-Qualification Submission Date.

2.12. Addenda

- a. Notwithstanding any of the provisions of this Invitation and without derogating from the discretion of the Tender Committee under the provisions of Section ~~2.142.14~~ (Reservation of Rights), the Tender Committee reserves the right to revise ,modify, amend, clarify, add, eliminate or otherwise change this Invitation or any part thereof, including but not limited to any instruction, requirement, specification, Pre-Qualification Requirement(s) or date contained therein, at any time. Such revisions, if any, shall be announced by written Addenda to this Invitation.
- b. Copies of Addenda shall be furnished to all Entities or Participants who have previously purchased this Invitation. Should any Addendum result from any request for clarification or interpretation submitted by a Participant, the identity of that Entity or Participant shall not be disclosed.
- c. Receipt of requests submitted by Entities or Participants in accordance with the provisions of Section ~~2.112.11~~ (Clarification of this Invitation) will not restrict the discretion of the Tender Committee in any way, and it will be free to exercise its right under this Section ~~2.122.12~~ whenever it is of the opinion that this Invitation or any part thereof requires amendment or revision.
- d. Without derogating from the generality of the provisions of Section 1.6, the date set for the submission of Pre-Qualification Submissions may be postponed by such number of days as shall be necessary, in the opinion of the Tender Committee, to enable the Participants to revise their Pre-Qualification Submissions as a result of any Addendum issued. The announcement of such new date, if any, will be included in the Addendum.
- e. Participants are required to acknowledge receipt of any Addendum in writing no later than two (2) days following receipt thereof by a written notice to the Tender Committee. In addition, Participants shall acknowledge receipt of all Addenda to this Invitation in their Pre-Qualification Submission Letters, specifically detailing each Addendum number the date of receipt thereof.

2.13. Conference

- a. The Tender Committee reserves the right to hold a conference ("**Conference**").
- b. At the Conference, the Tender Committee may answer questions referred to it by Participants in accordance with the provisions of Section ~~2.112.11~~ (Clarification of this Invitation).

- c. Should the Tender Committee answer or present any questions referred to it by a Participant, or any clarification, interpretation or amendment resulting from any request for clarification or interpretation submitted to it by a Participant, the identity of that Participant shall not be disclosed.
- d. Following the Conference, the Tender Committee may issue minutes of the Conference to all Participants, and may issue an Addendum to this Invitation. Only the minutes issued by the Tender Committee at the end of the Conference or any Addenda to this Invitation issued thereafter shall be binding. The Tender Committee shall not be bound by, and Participants shall not rely on, any oral representation made by the Tender Committee or by Participants during the Conference.
- e. The fact that questions, clarifications, interpretations and amendments to this Invitation will be presented by the Tender Committee at the Conference does not, in any way, restrict the Tender Committee's right to issue an Addendum to this Invitation or to postpone any of the dates contained therein in accordance with the provisions of Section 2.122.12 (Addenda).

2.14. Reservation of Rights

- a. All Participants acknowledge that the Project description as specified in this Invitation is general and indicative only. All Participants further acknowledge that at the date of issuance of this Invitation, the Project has not been completely formulated and the Tender Documents have not been completed. The issuance of this Invitation is not intended to give rise to or create any representation, undertaking or warranty on behalf of the State or the Tender Committee or anyone on their behalf with respect to the Project.

**Reservation of
Rights; Definition of
the Project**

Furthermore, the State and the Tender Committee reserve the right to redefine the Project, including the location of the Site, the exact quantity of desalinated water to be supplied by the Seller, the terms and conditions for the Project's execution (including sale of desalinated water) and the terms and conditions for the selection of the Seller (including additional pre-qualification or minimum requirements), as it shall deem appropriate.

For the removal of doubt, participation in this Pre-Qualification Process shall not confer upon an Entity, a Participant or an Eligible Participant any right with respect to the Project or any future proceedings which will be conducted with respect thereto, including the tender process.

- b. Even though the State and the Tender Committee express their intention to carry out a tender process for the selection of a Seller for the Project, the issuance of this Invitation is not intended to guarantee the initiation, execution or the implementation of the Project or any part thereof. It is expressly understood that any reliance by any Entity or Participant on any information or intention in their Pre-Qualification Submissions and the making of any deductions, interpretations or conclusions from the intention or information which is made available by the State and the Tender Committee is at the Entity or Participant's sole responsibility. The State, the Tender Committee and/or anyone on their behalf, shall not be responsible in any respect to any loss or damage whatsoever suffered by any Entity or Participant, their employees, officers, agents, or any other persons for whom any Entity or Participant may be contractually or legally responsible or accountable, by reason of any use of information contained in this Invitation or provided in connection therewith, or any action or forbearance in reliance thereon.
- c. Without derogating from the generality of the above, the State and the Tender Committee reserve the right not to proceed with this Pre-Qualification Process, or with the tender process for the Project or any part thereof, and may terminate or cancel this Invitation or any other proceedings which are conducted with respect thereto, or with respect to the Project, at any time, as it shall deem appropriate.

Issuance of Tender Documents

Cancellation of the Project

Under the circumstance described herein, and without derogating from the provisions of Section 2.72.7 (Access to Documents and Purchase of the Invitation)~~Access to Documents and Purchase of the Invitation~~, neither the State nor the Tender Committee nor anyone on their behalf shall be responsible in any respect to any loss or damage whatsoever suffered by any Entity or Participant, their employees, officers, agents, or any other persons for whom any Entity or Participant may be contractually or legally responsible or accountable, and shall not be required to compensate the Entity or the Participant, their employees, officers, agents, or any other persons for whom the Entity or Participant may be contractually or legally responsible or accountable.

The State and the Tender Committee may publish a new invitation to pre-qualify or other proceedings with respect to the Project, which may include other Pre-Qualification Requirements, or require additional Pre-Qualification or minimum requirements in the Tender Documents.

2.15. Advisors to the Tender Committee

Appendix "C" of this Invitation contains a list of the advisors to the Tender Committee. Subject to the provisions of any and all applicable Laws, the Tender Committee may exercise its rights under this Invitation through its advisors.

Advisors to the Tender Committee

The advisors listed in **Appendix "C"** are not permitted to participate in the Pre-Qualification Process and/or the tender process, other than as advisors to the Tender Committee, without the prior written approval of the Tender Committee.

2.16. Intellectual Property Rights

The Invitation documents and any and all intellectual property right therein are exclusively owned by the State and are supplied to the Participants for the purpose of participation in the Pre-Qualification Process, only.

Intellectual Property Rights

3. GENERAL PROVISIONS RELATING TO PARTICIPANTS

3.1. The Participant

3.1.1. Definition of a Participant

A Participant shall mean: (i) a single Entity which complies with all the requirements of this Invitation pertaining to a Member; or (ii) a number of Entities, each of which complies with all the requirements of this Invitation pertaining to a Member, associated for the purpose of submitting a Pre-Qualification Submission ("**Participant**").

The Participant

3.1.2. Content and Format of the Submission

In order to, *inter alia*, demonstrate compliance with the requirements specified under Section ~~3.1.13.1.4~~ (Definition of a Participant), Pre-Qualification Forms "A" and "B" should be duly completed and signed by the Participant.

Pre-Qualification Form "A" and "B"

3.2. Members of the Participant

3.2.1. Definition of Members of a Participant

Members of a Participant shall mean each of the Entities committed to hold shares or other interests in the Participant, as evidenced by Pre-Qualification Form "B", each of which complies with all of the following ("**Member**"):

Members

- a. A Member of a Participant must be duly organized and validly existing under the laws of the jurisdiction in which such a Member was organized;

- b. A Member of a Participant (including Interested Parties in the Member, directors or managers thereof, and including individuals), shall not be residents of or domiciled in a state which does not have diplomatic relations with the State; and
- c. A Member of a Participant who is incorporated in or is a resident of the State must Maintain its books and records in accordance with the Israel Income Tax Ordinance and the Value Added Tax (VAT) Law; and

Israeli Members of Participant

Non-Israeli Members of a Participant must comply with the equivalent laws, if any, in their respective jurisdictions.

Non Israeli Members of the Participant

3.2.2. Content and Format of the Submission

In order to, *inter alia*, demonstrate compliance with the requirements specified under Section ~~3.2.13.2.1~~ (Definition of Members of a Participant), Pre-Qualification Forms "C" should be duly completed and signed by each Member.

Pre-Qualification Form "C"

3.3. Major Subcontractors

3.3.1. Definition of a Major Subcontractor

- a. For the purpose of executing the Project, the Eligible Participant shall be required to engage, during the tender process, as shall be further elaborated in the Tender Documents:
- (i) an EPC Contractor - which shall assume on a "back-to-back" basis the design and construction obligations of the Seller vis-à-vis the State; and
 - (ii) an O&M Contractor - which shall assume on a "back-to-back" basis the operation and maintenance obligations of the Seller vis-à-vis the State.
- b. For the purpose of this Pre-Qualification Documents, "Major Subcontractors" are any of the anticipated members of the EPC Contractor and the O&M Contractor, namely:
- (i) any of the Desalination Expert, EPC Expert and O&M Expert - which comply with the Pre-Qualification Requirements detailed in Sections 5.15.1 (Desalination Plants Design and Construction Experience)~~Desalination Plants Design and Construction Experience~~, 5.25.2 (Infrastructure Projects "Main Contractor" Experience)~~Infrastructure Project Execution, Management and Organization Experience~~ and/or 5.35.3 (Water-Treatment Facilities Operation and Maintenance)~~Operation and Maintenance of Desalination Facilities~~; and
 - (ii) any other anticipated member of the EPC Contractor or the O&M Contractor;
- as is evidenced by Pre-Qualification Form "D" ("**Major Subcontractor**").
- c. For the avoidance of doubt, a Major Subcontractor does not have to be a Member of the Participant.
- d. each of the Major Subcontractors shall comply with the following:
- (i) A Major Subcontractor must be duly organized and validly existing under the laws of the jurisdiction in which such a Major Subcontractor was organized;
 - (ii) It's most recent Financial Statements do not include a "going concern notice", as described in provisions of Section 5.4.7~~5.4.7 (Going Concern)~~.
 - (iii) A Major Subcontractor (including Interested Parties in the Major Subcontractor, directors or managers thereof, and including individuals), shall not be a resident of or domiciled in a state which does not have diplomatic relations with the State.

3.3.2. Content and Format of the Submission

In order to, *inter alia*, demonstrate compliance with the requirement specified under Section ~~3.3.13.3.4~~. (Definition of a Major Subcontractor), Pre-Qualification Forms "D", "E" and "F" should be duly completed and signed by the Participant and the relevant Major Subcontractor.

**Pre-Qualification
Forms "D", "E",
"F"**

3.4. Participation in One Pre-Qualification Submission

- a. Each Participant may submit only one Pre-Qualification Submission.
- b. Each Member and each Guarantor may participate in only one Participant.
- c. Each Major Subcontractor may participate in only one Pre-Qualification Submission.
- d. For the purpose of the provisions of this Section ~~3.43.4~~, the terms "**Member**" and "**Major Subcontractor**", shall be deemed to include any Entity which exercises Control over such Member, Guarantor or Major Subcontractor, an Entity under the common Control of such Member, Guarantor or Major Subcontractor, and an Entity Controlled by such Member, Guarantor or Major Subcontractor.

**Participation in One
Pre-Qualification
Submission**

3.5. Participation of Government Companies

Companies budgeted by the State as defined under Section 21 of the State Budget Law 1985 [גור מתוקצב], Municipal Companies or subsidiaries thereof as defined under Section 21 of the State Budget Law, 1985, Companies supported by the State as defined under Section 32 of the State Budget Law 1985 [גור נתמך], and/or Companies subject to the provisions of the Government Companies Law 1975 and/or any Entity incorporated by Law (a statutory corporation), are not permitted to participate in the Pre-Qualification Process either as a Participant, as a Member of a Participant, as a Guarantor, nor as a Major Subcontractor of a Participant.

**Participation of
Government
Companies**

3.6. Promotion of Competition and Reduction of Concentration Law

- a. Participants are hereby informed that additional limitations in relation to the participation in this process may be imposed due to the Law for Promoting Competition and Minimization of Centralization, 5774-2013 (if applicable).
- b. To the extent that any limitation is imposed pursuant to this Law, the Tender Committee will favorably consider allowing changes required for the removal of such limitation, including changes to the composition of the Participant, Member, Guarantor and/or Major Subcontractor, and to the Pre-Qualification Submission, provided that following such changes, the Participant shall meet the Pre-Qualification Requirements.

**Promotion of
Competition and
Reduction of
Concentration Law**

3.7. Participation in multiple capacities

Participation in Multiple Capacities

In the event an Entity participates in the process in more than one capacity, such Entity shall comply with the all the separate requirements of each such capacity.

3.8. Formation of a Single Purpose Company

Single Purpose Company

Following completion of the Pre-Qualification Process, in order to participate in the tender process and submit a bid, it is expected that each Eligible Participant will be required to form a new company, incorporated under the Laws, the sole purpose of which shall be the participation in the tender process, the submission of a bid therein and the execution of the Project (if eventually selected to do so) (the "**Single Purpose Company**" or "**SPC**").

The shares and other interests in the SPC will be held by the Members who participated, through the Participant, in the Pre-Qualification Submissions, and were approved by the Tender Committee pursuant to the Pre-Qualification Process. The shareholdings and the holdings of other interests by each such Member in the SPC shall be as provided in Pre-Qualification Form "B".

4. PRE-QUALIFICATION SUBMISSIONS

4.1. Pre Qualification Submission Letter

Each Participant shall attach to its Pre-Qualification Submission the Pre-Qualification Submission Letter in the form of Pre-Qualification Form "A", duly completed and signed.

Pre-Qualification Form "A"

4.2. Description of the Participant, Members and the Major Subcontractors

Each Participant shall submit Pre-Qualification Forms "B", "C", "D" and "E" duly completed and signed, in order to demonstrate compliance with the provisions of Sections ~~3.13.1~~ (The Participant), 3.2 (Members of the Participant) and 3.3 (Major Subcontractors).

Pre-Qualification Forms "B", "C", "D", "E"

4.3. Receipt of Purchase

Each Participant shall include in its Pre-Qualification Submission a copy of the receipt for the purchase of the Invitation by the Participant or any one of its Members.

Receipt of Purchase

4.4. Identification of Sensitive Information

Each Participant shall detail in Pre-Qualification Form "A" all information contained in its Pre-Qualification Submission which it considers to be of a commercially sensitive or secret nature, in accordance with the provisions of Section 6.6 (Identification of Sensitive Information).

5. PRE-QUALIFICATION REQUIREMENTS

- a. Each Participant will be required to demonstrate its compliance with all of the pre-qualification requirements detailed in Sections ~~5.15.1 (Desalination Plants Design and Construction Experience)~~, ~~5.25.2 (Infrastructure Projects "Main Contractor" Experience)~~, ~~5.35.3 (Water-Treatment Facilities Operation and Maintenance)~~ and ~~5.45.4 (Financial Pre-Qualification Requirements)~~ (each, a **"Pre-Qualification Requirement"** and collectively **"Pre-Qualification Requirements"**).
- b. For the removal of doubt, the same project may be presented pursuant to Sections 5.1, ~~5.25.2~~ and ~~5.35.3~~ (or any of them).

Pre-Qualification Requirements

5.1. Desalination Plants Design and Construction Experience

5.1.1. Desalination Plants Design and Construction Experience

The Participant is required to demonstrate that ~~within the past seven (7) Years~~ either it, one of its Members or one of its Major Subcontractors (The **"Desalination Expert"**), has designed, installed on site and commissioned, one or more desalination plants, based on the reverse osmosis process design, with accumulated production capacity of not less than 150,000 m³/day, of which at least one (1) plant is a sea-water desalination plant with production capacity of not less than 100,000 m³/day. The said referenced desalination plant(s) must ~~have been completed within the past seven (7) Years~~, have been in operation during the past two (2) Years, and have a demonstrated record, readily available for inspection, of successful performance during the entire commercial operation phase.

Desalination Plants Design and Construction Experience

Design, installation and commissioning of a plant - also as part of a project for the expansion of an existing original plant. In the event that the construction of the original plant was completed prior to the above mentioned seven (7) Years period, then for purposes of calculating the production capacity, only the scope of the expansion shall be taken into account.

5.1.2. Execution as a Sole Purpose Entity

- a. For purposes of demonstrating compliance with the Pre-Qualification Requirement specified in Section 5.1.1 (Desalination Plants Design Construction Experience), the Desalination Expert is allowed to present also project(s) which it executed as a part (member) of a sole purpose Entity, which was the Main Contractor of the project, provided that:
- (i) The Desalination Expert held (directly, or indirectly through a wholly owned sole purpose holding company) at least 30% of the rights in the sole purpose Entity; and
 - (ii) In case the sole purpose Entity was a joint venture - the Desalination Expert was jointly and severally responsible for the execution of the applicable project(s); and
 - (iii) Within such sole purpose Entity, the Desalination Expert actually performed the process design of the applicable project(s).
- b. In the event that the Desalination Expert is the sole purpose Entity which was the Main Contractor of the project - there was no other entity which actually performed the process design of the applicable project, pursuant to an agreement with the Desalination Expert or otherwise.

Execution as a Sole Purpose Entity

5.1.3. Content and Format of the Submission

In order to demonstrate compliance with the Pre-Qualification Requirements specified under Section ~~5.1.15-1.4~~ (~~Desalination Plants Design and Construction Experience~~~~Desalination Plants Design and Construction Experience~~) Pre-Qualification Forms "F" and "G" should be duly completed and signed by the Desalination Expert.

Pre-Qualification Forms "F", "G"

5.1.4. The Tender Process - Expected Requirement

- a. The attention of all Participants is drawn to the fact that it is expected, that pursuant to the Tender Documents, bidders will be required to demonstrate that the Desalination Expert shall hold at least 30% of the rights in the EPC Contractor, and shall actually perform the process design of the Facility, and additional specific activities as shall be further described in the Tender Documents.
- b. For the removal of doubt, in case the Desalination Expert is also the EPC Expert, such entity shall be required to hold only 30% (and not an aggregate of 60%) of the EPC Contractor.

5.2. Infrastructure Projects "Main Contractor" Experience

5.2.1. Experience as a Main Contractor

The Participant is required to demonstrate that ~~within the past seven (7) Years~~ either it, or one of its Members or one of its Major Subcontractors (the "**EPC Expert**"), has successfully executed, as a Main Contractor:

Infrastructure Projects "Main Contractor" Experience

- a. one (1) infrastructure project, with a total cost of not less than 50 million US Dollars; or
- b. several (up to three (3)) infrastructure projects, with an aggregate total cost of not less than 70 million US Dollars;

Each such project have been completed within the past seven (7) Years; Each such project utilizing the combined services of all the following engineering disciplines: civil, mechanical, electrical and controls and instrumentation.

5.2.2. Execution as part of a Sole Purpose Entity

For purposes of demonstrating compliance with the Pre-Qualification Requirement specified in Section ~~5.2.15.2.1~~ (Experience as a Main Contractor) above, the EPC Expert is allowed to present also project(s) which it executed as a part (member) of a sole purpose Entity, which was the Main Contractor of the project, provided that:

Execution as part of a Sole Purpose Entity

- a. The EPC Expert held (directly, or indirectly through a wholly owned sole purpose holding company) at least 30% of the rights in the sole purpose Entity; and
- b. In case the sole purpose Entity was a joint venture - the EPC Expert was jointly and severally responsible for the execution of the applicable project(s).

5.2.3. Content and Format of the Submission

In order to demonstrate compliance with the Pre-Qualification Requirement specified under Section ~~5.2.15.2.1~~ (Experience as a Main Contractor), Pre-Qualification Forms "F" and "H" should be duly completed and submitted.

Pre-Qualification Forms "F", "H"

5.2.4. The Tender Process – Expected Requirement

- a. The attention of all Participants is drawn to the fact that it is expected, that pursuant to the Tender Documents, bidders will be required to demonstrate that the EPC Expert shall hold at least 30% of the rights in the EPC Contractor.
- b. For the removal of doubt, in case the EPC Expert is also the Desalination Expert, such entity shall be required to hold only 30% (and not an aggregate of 60%) of the rights in the EPC Contractor.

5.3. Water-Treatment Facilities Operation and Maintenance Experience

5.3.1. Experience

The Participant is required to demonstrate that either it, or one of its Members or one of its Major Subcontractors (the "O&M Expert"), has successfully operated and maintained:

**Water-Treatment
Facilities Operation
and Maintenance
Experience**

- a. during a period of twenty four (24) months within the past seven (7) Years - one or more desalination or other water or waste-water treatment facilities, with an accumulated production capacity of not less than 150,000 m³/day, of which at least one (1) facility is a sea-water desalination facility, based on the reverse osmosis process design, with production capacity of not less than 50,000 m³/day. Such facilities should have a demonstrated record, readily available for inspection, of successful performance during the entire commercial operation phase; **or**
- b. during a period of twenty four (24) months within the past seven (7) Years - one (1) sea-water desalination facility, based on the reverse osmosis process design, with production capacity of not less than 100,000 m³/day. Such facility should have a demonstrated record, readily available for inspection, of successful performance during the entire commercial operation phase.

5.3.2. Execution as part of a Sole Purpose Entity

**Execution as part of
a Sole Purpose
Entity**

For purposes of demonstrating compliance with the Pre-Qualification Requirements specified in Section ~~5.3.15.3.1~~ (Operation and Maintenance of Desalination Facilities; Experience), the O&M Expert is allowed to present also project(s) which it executed as a part (member) of a sole purpose Entity, which was the O&M Contractor of the project, provided that:

- a. the O&M Expert held (directly, or indirectly through a wholly owned sole purpose holding company) at least 30% of the rights in the sole purpose Entity; and
- b. In case the sole purpose Entity was a joint venture - the O&M Expert was jointly and severally responsible for the operation and maintenance of the facility(ies).

5.3.3. Content and Format of the Submission

In order to demonstrate compliance with the Pre-Qualification Requirement specified under Section ~~5.3.15.3.1~~ (Operation and Maintenance of Desalination Facilities; ~~Experience~~), Pre-Qualification Forms "F" and "I" should be duly completed and submitted.

**Pre-Qualification
Forms "F", "I"**

5.3.4. The Tender Process - Expected Requirement

The attention of all Participants is drawn to the fact that it is expected, that pursuant to the Tender Documents, bidders will be required to demonstrate that the O&M Expert shall hold at least 30% of the rights in the O&M Contractor, and shall actually perform specific activities as shall be further described in the Tender Documents.

5.4. Financial Pre-Qualification Requirements

Each Participant is required to demonstrate its Members' compliance (by themselves or through a Guarantor as described in Section 5.4.4 below), with **all** of the following Financial Pre-Qualification Requirements.

5.4.1. Financial Pre-Qualification Requirements; Turnover

Each Participant is required to demonstrate that the Participant's Weighted Turnover (as such term is defined in Section 5.4.1.1 below), is not lower than the Minimal Turnover Required (as such term is defined in Section 5.4.1.4 below).

**Financial Pre-
Qualification
Requirements;
Turnover**

5.4.1.1. Participant's Weighted Turnover

The Participant's Weighted Turnover shall be calculated in the following manner:

$$\text{Participant Turn Over} = \sum_{i=1}^{i=n} ATO_i \cdot HS_i$$

Where:

ATO_i = Member (i)'s Average Turnover (as such term is defined in Section 5.4.1.2 שגיאה! מקור ההפניה לא נמצא. below).

HS_i = the Anticipated Holdings of Member (i) in the Participant.

n = the number of Members in the Participant.

("Participant's Weighted Turnover").

5.4.1.2. Member's Average Turnover

The weighted average turnover of each Member in the Participant shall be calculated in the following manner:

- a. For: (i) any Member in the Participant who is a Financial Entity; and (ii) any Member in the Participant whose Anticipated Holdings in the Participant is lower than 10% - the Member's Average Turnover shall be deemed as Zero (0);
- b. For any Member in the Participant who is not a Financial Entity and whose Anticipated Holdings in the Participant exceeds 10% - the Member's Average Turnover shall be calculated as a simple average of the Member's annual turnover for the last three (3) years, as follows:

$$ATO_i = \frac{TO_c + TO_{c-1} + TO_{c-2}}{3}$$

Where:

TO = Member (i)'s annual turnover for the relevant year, based on the Member's respective Financial Statement for that year.

C = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

("Member's Average Turnover")

5.4.1.3. Minimal Turnover Required

The minimal turnover required of the Participant is:

- a. In the event that all Members of the Participant are not Financial Entities - not less than NIS 510,000,000.
- b. In the event that one or more of the Members of the Participant is a Financial Entity - the minimal turnover required of a Participant shall be equal to the sum of NIS 510,000,000 multiplied by the aggregate sum of the Anticipated Holdings of all Members who are not Financial Entities.

("Minimal Turnover Required")

5.4.2. **Financial Pre-Qualification Requirements; Operating Cash Flow**

- a. Each Member of the Participant who is not a Financial Entity, is required to demonstrate that its Average Operating Cash Flow for the last three (3) years, is not negative (either positive or equal to zero).

**Financial Pre-
Qualification
Requirements; Cash
Flow**

- b. For the purpose of this Pre-Qualification Requirement, the Average Operating Cash Flow of each Member who is not a Financial Entity, shall be calculated in the following manner:

$$(CF_{(t)} + CF_{(t-1)} + CF_{(t-2)})/3$$

Where:

CF = The Member's annual operating cash flow for the relevant year, based on the Member's respective Financial Statement for that year.

t = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

("Average Operating Cash Flow")

Or:

c. In the event that the Average Operating Cash Flow of a Member who is not a Financial Entity, is negative, the Member is required to demonstrate that the ratio between the absolute value of (a) and (b) below is less than 25%:

(a) Shall be the lesser of:

(i) The Average Operating Cash Flow of the Member ; or-

(ii) The Operating Cash Flow of the Member for the last year (t).

(b) The Equity of a Member on 31 December of the last year (t), based on its Financial Statements for the last year (t), minus the Member's Required Equity (as defined below).

So that -

$$\frac{\text{ABS} [(CF(t) + CF(t - 1) + CF(t - 2))/3]}{(\text{Equity}_{(t)} - \text{Required. Equity})} < 0.25$$

Or that -

$$\frac{\text{ABS} [CF(t)]}{(\text{Equity}_{(t)} - \text{Required. Equity})} < 0.25$$

Where:

ABS [x] = the absolute value of X.

CF = the Member's Operating Cash Flow of the relevant year, based on its Financial Statements for that year.

Equity = the equity of the Member on 31 December of the last year (t), based on its Financial Statements for that year.

Required Equity = the equity required from the Member pursuant to Section 5.4.3 below.

t = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

5.4.3. Financial Pre-Qualification Requirements; Equity

Each Member who is not a Financial Entity is required to demonstrate equity of not less than NIS 3,400,000, for each one percent (1%) of Anticipated Holdings in the Participant, on 31 December of the last year (t), based on its Financial Statements for that year.

**Financial Pre-
Qualification
Requirements;
Equity**

t = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

5.4.4. Reliance on a Guarantor

- a. Each Member who is not a Financial Entity, may demonstrate compliance with the Financial Pre-Qualification Requirements by relying on one Entity Controlling such Member ("**Guarantor**"), provided that the Guarantor itself complies (in aggregate) with all Financial Pre-Qualification Requirements, and provided that both the Member and its Guarantor comply with the requirement under Section ~~5.4.7~~ 5.4.7 (~~Going Concern~~ Going Concern) below. A Member relying on a Guarantor shall attach to its Pre-Qualification Submission Pre-Qualification Form "K", duly executed by the Guarantor.
- b. In the event that the Guarantor is also a Member or a parent company of a Member which is also a Member of the Participant, for the purpose of determining compliance with all Financial Pre-Qualification Requirements, the Anticipated Holdings of such Guarantor in the Participant will be deemed to include also all Anticipated Holdings of the Member seeking to rely on such Guarantor in the Participant

Reliance on a Guarantor

5.4.5. **Financial Pre-Qualification Requirements; Private Investment Fund**

Any Member who is a Private Investment Fund, is required to demonstrate that:

- a. As of 31 December of the last year (t), the amount of Commitments under its management was not less than NIS 10,200,000 for each one percent (1%) of its Anticipated Holdings in the Participant, ~~based on its Financial Statements for that year;~~

t = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

And:

- b. as of the date commencing 14 days prior the Pre-Qualification Submission Date, the amount of Unutilized Commitments under its management is not less than NIS 10,200,000, for each one percent (1%) of its Anticipated Holdings in the Participant

Financial Pre-Qualification Requirements; Private Investment Fund

5.4.6. **Financial Pre-Qualification Requirements; Banking Corporation or Institutional Investors**

Any Member who is a Banking Corporation or an Institutional Investor, is required to demonstrate that:

- a. As of 31 December of the last year (t), its equity (excluding minimal equity required by Law, to the extent relevant) was not less than NIS 5,100,000 for each one percent (1%) of Anticipated Holdings in the Participant, based on the Member's Financial Statements for that year;

Or:

- b. As of 31 December of the last year (t), it managed assets with a net worth of not less than NIS 85,000,000 for each one percent (1%) of Anticipated Holdings in the Participant, based on the Financial Statements of the Member for the last year (t).

t = year 2017; and if the Member has not yet published audited Financial Statements for year 2017 - then year 2016.

5.4.7. **Going Concern**

The most recent audited Financial Statements of each Member (even if relying on a Guarantor), Guarantor, and Major Subcontractor, shall not contain a "Going Concern Notice".

5.4.8. **Content and Submission Form**

- a. In order to demonstrate compliance with the Financial Pre-Qualification Requirements, the Participant shall submit the Financial Statements of each Member and each Guarantor (to the extent relevant) for the years 2017, 2016, and 2015. However, if the Member or Guarantor has not yet published audited Financial Statements for year 2017 - then its Financial Statements for years 2016, 2015 and 2014 shall be submitted.

**Financial Pre-
Qualification
Requirements;
Banking
Corporation or
Institutional
Investor**

Going Concern

**Content and
Submission Form**

- b. Such Financial Statements shall be duly prepared and presented in accordance with one of the following:
- (i) Israeli GAAP (including Standard No. 51 of the Institute of Certified Public Accountants in Israel);
 - (ii) US GAAP (published by the FASB);
 - (iii) International Financial Reporting Standards (including, with respect to the cash flow statements, IAS (International Accounting Standards) IAS No. 7 and IFRS updates);
 - (iv) French GAAP;
 - (iii)(v) Hong Kong Financial Reporting Standards (HKFRS);

and duly executed by the Entity's management (or the equivalent thereof) and by its external auditors.

Entities whose Financial Statements are presented based on acceptable accounting principles in their domicile, which are different than those specified in Sections ~~(i)a)-(iii)e)~~ above, are required to submit at least 30 days prior to the Pre-Qualification Submission Date a specific request to the Tender Committee in accordance with the provisions of Section ~~2.112.11~~ (Clarification of this Invitation) in order to receive its approval for submission of such Financial Statements; the Tender Committee will consider each request on a case by case basis, at its sole discretion, and may issue an Addendum as a result thereof.

- c. Without derogating from the generality of Section (b) above, the Financial Statements must include a balance sheet, a profit and loss statement, a cash flow, and auditor's report and notes.
- d. An Entity whose Financial Statements do not include cash flow statements, shall provide such statements in accordance with one of the accounting principles set out in Sections (b)(i)-(iii) above, duly executed by the Entity's external auditors.
- e. The Financial Statements will be provided either in English or in Hebrew, but in no other language.
- f. In the event of a reliance by a Participant or by a Member on a Guarantor, the Financial Statements of such Guarantor shall also be included (in addition to instead of those of the Member), and shall be subject to the provisions of Section ~~5.4.45.4.4~~ (Reliance on a Guarantor) above.

- g. ~~Without derogating from the aforementioned, in the event that the Financial Statements of an Entity for the last year (t) contain comparative figures to the previous two (2) years which meet the Financial Pre-Qualification Requirements specified in Section 5.4.1 (Pre-Qualification Requirements; Turnover) and Section 5.4.2 (Pre-Qualification Requirements; Operating Cash Flow) above, the Entity will not be required to submit the Financial Statements for the previous two (2) years, and it can rely on the comparative figures presented in its last year (t) Financial Statements.~~[reserved]
- h. In order to demonstrate compliance with the Financial Pre-Qualification Requirements specified in Section ~~5.4.5~~4.5 (Financial Pre-Qualification Requirements; Private Investment Fund) above, a Member, who is a Private Investment Fund, is required ~~to submit its investment agreements and appointment agreements demonstrating the overall Commitments, as required pursuant to the provisions of Section 5.4.5 above, and to submit a statement by its CFO depicting the overall amount of the~~ Commitments and of the Unutilized Commitments, as required pursuant to the provisions of Section 5.4.5 above.
- i. In order to demonstrate compliance with the Financial Pre-Qualification Requirements, each Participant and Member, and the CEO or CFO of the Member, shall complete, execute and submit Pre-Qualification Forms "J" and/or "J₁" and/or "J₂", as applicable.
- j. Without derogating from the rights reserved by the Tender Committee in accordance with these Pre-Qualification Documents and pursuant to any Law, in the event of a discrepancy between the Financial Statements and the Pre-Qualification Forms, as applicable, the provisions of the Financial Statements shall prevail.

5.4.9. Exchange of Currency

- a. All of the financial figures included in the Pre-Qualification Documents must be submitted using New Israeli Shekels (NIS).

**Exchange of
Currency**

- b. In the event that financial data (such as a Contract Value), or the Financial Statements are presented using USD (US\$), Euro (€) or British Pounds (£), the Entity shall convert the financial data in the following manner:

(i) Turnover and Operating Cash Flow

The turnover and the operating cash flow shall be converted to NIS in accordance with the average exchange rates for the relevant calendar fiscal year, as are published in the National Bureau of Statistics and Economical Research data:

Calendar Fiscal Year	Currency	NIS (₪)
January 1, 2014, until December 31, 2014	1 USD (US\$)	3.5928
	1 EUR (€)	4.7362
	1 GBP (£)	5.90214
	<u>1 HKD (HK\$)</u>	<u>0.4614</u>
January 1, 2015, until December 31, 2015	1 USD (US\$)	3.8882
	1 EUR (€)	4.2920
	1 GBP (£)	5.928
	<u>1 HKD (HK\$)</u>	<u>0.50114</u>
January 1, 2016, until December 31, 2016	1 USD (US\$)	3.8324
	1 EUR (€)	4.2256
	1 GBP (£)	5.1559
	<u>1 HKD (HK\$)</u>	<u>0.4948</u>
January 1, 2017, until December 31, 2017	1 USD (US\$)	3.5755
	1 Euro (€)	4.0577
	1 GBP (£)	4.63725
	<u>1 HKD (HK\$)</u>	<u>0.4621</u>

(ii) Equity

An Entity's equity shall be converted to NIS, in accordance with the following exchange rates, as are published in the National Bureau of Statistics and Economical Research data:

Day	December 31, 2017	December 31, 2016
Currency	NIS (₪)	NIS (₪)
1 USD (US\$)	3.467	3.845
1 Euro (€)	4.1526	4.0438
1 GBP (£)	4.6819	4.7252
<u>1 HKD (HK\$)</u>	<u>0.443</u>	<u>0.496</u>

- c. An Entity whose financial data is presented in currencies other than NIS/US\$/€/£/HK\$ (the exchange rates of which are presented above) is required to submit a specific request to the Tender Committee for other currency conversion to ~~US\$~~ NIS, at least 30 days prior to the Pre-Qualification Submission Date.
- d. An Entity whose fiscal year, according to its place of registration, ends on a day other than December 31, is required to request the Tender Committee's consent to use alternative exchange rates, at least thirty (30) days prior to the Pre-Qualification Submission Date. The request must specify all the relevant information and exchange rate tables, on which the Entity relies. The Tender Committee will consider each request on a case by case basis and may issue an Addendum as a result thereof.

6. METHOD OF SUBMISSION

The Pre-Qualification Submission shall be submitted in accordance with the following provisions:

Method of Submission

6.1. Compliance with the Requirements of the Invitation

Participants shall prepare their Pre-Qualification Submissions in strict conformity with the requirements of this Invitation. Participants shall answer all parts relevant to the Pre-Qualification Submission in an accurate and detailed manner, disclosing all the information requested, as well as any additional information or data required to clarify, substantiate and, in general, support the Pre-Qualification Submission submitted by the Participant.

Compliance with Requirement of the Invitation

6.2. No Unauthorized Modification

Participants shall not modify or supplement the instructions of this Invitation. Unauthorized conditions, limitations, modifications, supplements, reservations, disclaimers or provisions attached to a Pre-Qualification Submission may cause the Pre-Qualification Submission to be deemed non-compliant to this Invitation. For the purposes of this Section 6.2, any conditions, limitations, modifications, supplements, reservations, disclaimers or provisions attached to the Pre-Qualification Submission, which were not submitted by the Participant to the Tender Committee in accordance with the provisions of Section ~~2.112.11~~ (Clarification of this Invitation) and approved by the Tender Committee in the form of an Addendum to this Invitation, issued in accordance with the provisions of Section ~~2.122.12~~ (Addenda), may be deemed unauthorized.

No Unauthorized Modification

6.3. Language of the Pre-Qualification Submission

Other than the Pre-Qualification Forms and the statements contained therein which are to be submitted in English, Pre-Qualification Submissions may be in English or in Hebrew.

Language of the Pre-Qualification Submissions

Supporting documents and printed literature furnished by a Participant in any other language should be accompanied by a translation to Hebrew or English (authenticated by a Public Notary), in which case, for purposes of interpretation, the translation to Hebrew or English (as the case may be), shall prevail.

6.4. Signing of the Pre-Qualification Submission

The Pre-Qualification Submission and all forms submitted by Participants or their Members shall be duly signed by the Participant, its Members, , by the Major Subcontractor of the Participant and/or by the Guarantor(s).

Signing the Pre-Qualification Submission

All pages of the Pre-Qualification Submission will be enumerated, and the Pre-Qualification Submission will include a detailed table of contents.

6.5. Authorization of Signatures by an Attorney

Adjacent to every signature (excluding signatures in initials only) of the Participants, their Members, Guarantor(s) and Major Subcontractors (if applicable) within the Pre-Qualification Submission, there shall be a confirmation by an attorney that the signatory is authorized to commit such Entity in relation to the document on which such signatures appear.

Authorization by an Attorney

6.6. Identification of Sensitive Information

Without derogating from the generality of the provisions of Regulation 21(h) of the Regulations (and the discretion granted thereunder to the Tender Committee), Participants will detail, within the Pre-Qualification Submission Letter, in a clear, complete and legible manner, all information contained in their Pre-Qualification Submissions, which they consider to be of a commercially sensitive or secret nature.

Identification of Sensitive Information

6.7. Number of Pre-Qualification Submission Copies

Pre-Qualification Submissions must be submitted, and clearly marked so, as an original and five (5) identical copies (six (6) altogether).

Number of Copies

Each copy shall include a disk-on-key containing a copy of the Pre-Qualification Submission in PDF format.

In the event of a discrepancy between the original and the other Pre-Qualification Submission documents, and/or the disk-on-key, the original shall prevail.

6.8. Sealing and Marking of Pre-Qualification Submissions

Participants shall seal the original and each of the five (5) copies of the Pre-Qualification Submissions in separate envelopes. The envelopes shall then be sealed in an outer envelope or a box.

Sealing and Marking of the PQ Submissions

The envelopes and boxes shall be addressed to the Tender Committee at the following address:

Ms. Ravit Bar-On
Coordinator of the Tender Committee
Private Public Partnerships Division
Inbal Insurance Company Ltd.
Inbal House, 3 Arava St., 5th Floor
Airport City, P.O.B 282
Ben-Gurion Airport 7015103
Tel: (972-3) 977-8169

6.9. Pre-Qualification Submission Date

- a. Pre-Qualification Submissions should be submitted at the address noted in Section 6.8 (Sealing and Marking of Pre-Qualification Submissions) by the date designated for such submission, as set forth in Section 1.6 (Anticipated Schedule) ("**Pre-Qualification Submission Date**"), no later than 13:00 Israel time.
- b. The Tender Committee may, at its sole discretion, extend the Pre-Qualification Submission Date by issuing an Addendum in accordance with the provisions of Section ~~2.122-12~~ (Addenda).

**Pre-Qualification
Submission Date**

6.10. Opening of Pre-Qualification Submissions

The Tender Committee will leave unopened any and all Pre-Qualification Submissions received after the deadline for submission of the Pre-Qualification Submissions specified in Section 6.9 (Pre-Qualification Submission Date). All unopened Pre-Qualification Submissions will be promptly returned to the applicable Participants.

**Opening of the Pre-
Qualification
Submissions**

The opening of the Pre-Qualification Submissions shall be documented in a protocol.

7. EXAMINATION OF THE PRE-QUALIFICATION SUBMISSIONS

7.1. Examination of the Pre-Qualification Submissions by the Tender Committee

The Tender Committee shall examine the Pre-Qualification Submissions in order to determine whether the Participants submitting such meet the requirements of this Invitation, including all Pre-Qualifications Requirements.

**Examination of the
Pre Qualification
Submission**

The Pre-Qualification Submissions will not be graded by the Tender Committee.

7.2. Requests For Clarifications

The Tender Committee may request a Participant to clarify any item contained in its Pre-Qualification Submission and to submit any additional information necessary, in the opinion of the Tender Committee, for the evaluation of its Pre-Qualification Submission.

**Requests for
Clarifications**

Participants will comply with the requests of the Tender Committee and will submit all clarification and additional information requested within the time period stipulated by the request.

The requests for clarifications will be in writing, delivered to the Participants by mail, messenger or facsimile. Their receipt should be confirmed by return mail, messenger or facsimile, to the address or facsimile number or E-mail noted in Section 6.8 (Sealing and Marking of Pre-Qualification Submissions) above, within forty-eight (48) hours of receipt.

Participants' responses to the requests for clarifications will form an integral part of their Pre-Qualification Submissions. The said responses will be attached to the Pre-Qualification Submission, along with copies of the requests for clarifications, and will replace or take precedence over corresponding items within the Pre-Qualification Submission documents that are contradictory.

The Tender Committee may exercise its right under this Section ~~7.27.2~~ any number of times during the examination of the Pre-Qualification Submissions.

7.3. Announcement of Eligible Participants

Upon the completion of its examination of the Pre-Qualification Submissions, the Tender Committee will announce those Participants which the Tender Committee deemed to have successfully complied with the requirements of this Invitation, including with all Pre-Qualification Requirements and which were not disqualified thereby in accordance with the provisions of Sections 7.4 (Rejection of the Pre-Qualification Submissions) and 7.5 (Disqualification of the Pre-Qualification Submissions) ("**Eligible Participant**").

Announcement of Eligible Participants

Without derogating from the generality of the provisions of Section ~~2.142.14~~ (Reservation of Rights), following the publication of the Tender Documents, the Eligible Participants will be invited to submit a bid in accordance with the provisions of the Tender Documents.

Participants who will be deemed by the Tender Committee to have failed to meet any one of the Pre-Qualification Requirements will not be announced as Eligible Participants.

7.4. Rejection of the Pre-Qualification Submissions

Without derogating from the Tender Committee's rights under the Laws:

- a. The Tender Committee reserves the right to reject any or all Pre-Qualification Submissions.
- b. The Tender Committee reserves the right to reject any Pre-Qualification Submission in the event that the Tender Committee is of the opinion that such Pre-Qualification Submission or any part thereof does not conform to the requirements of the Invitation.

Rejection of Pre-Qualification Submissions

- c. Without derogating from the Tender Committee's rights under the Invitation and under Law, the Tender Committee reserves the right to waive deviations (including amendments, omissions, additions, conditions, reservations to the Pre-Qualification Documents) or errors in any Pre-Qualification Submission, or amend such deviation or error, or request the Participant to amend such deviations or errors.

7.5. Disqualification of the Pre-Qualification Submissions

Without derogating from the rights of the Tender Committee under the Invitation and under Law, the Tender Committee will be entitled to disqualify any Participant, or impose any condition or instruction on its participation in the Pre-Qualification Process and/or the tender process in the following events:

Disqualification of Pre-Qualification Submissions

- a. Any changes of the Members or their Anticipated Holdings in the Participant; changes in the Control of a Guarantor over a Member; change of the Desalination Expert, the EPC Expert, the O&M Expert, or any other Major Subcontractors, or their anticipated holdings in the EPC Contractor or the O&M Contractor (as the case may be); without the prior approval of the Tender Committee;
- b. The commencement of bankruptcy, receivership, liquidation or reorganization proceedings against a Participant or any similar situation, unless such proceedings are discharged within a reasonable period of time, as determined by the Tender Committee, or if an interim or permanent receiver or liquidator is appointed over a Participant, or if a Participant has become insolvent;
- c. The commencement of any voluntary action for the liquidation of any Participant, except for the purposes of merger or restructuring on terms approved by the Tender Committee in writing;
- d. In the event that any Participant (including Interested Parties therein, directors or managers thereof) has been convicted in an Offence which might, in the opinion of the Tender Committee, (i) result in an any material or adverse change in its business; (ii) concerning grave professional misconduct; (iii) concerning fraud and breach of faith; or (iv) any other Offence which effects its integrity and/or credibility, or in the event any criminal proceedings with respect to an Offence are being conducted against such Entity;
- e. In the event that any Participant (including Interested Parties therein, directors or managers thereof) is a resident of or domiciled in a state which does not have diplomatic relations with the State;
- f. Employment or engagement of any Entity as defined under Section ~~2.152.15~~ (Advisors to the Tender Committee) by any Participant, directly or indirectly, for the purposes of the Pre-Qualification Process, without the prior written approval of the Tender Committee;

- g. In the event of unusual events which materially and adversely affect, to the Tender Committee judgment, the Participator's and/or the Participator's ability (including technically or financially) to execute the Project; and
- h. The submission of any false or misleading information to the Tender Committee.

The Participant shall be required to notify the Tender Committee of the existence, during the Pre-Qualification Process, of any of the events described in this Section 7.5, within a reasonable period of time, under the circumstances. The Tender Committee may base its decision under this Section 7.5 on the information provided by the Participant as well as on any other information available to it, and may request the Participant to provide it with additional information, as the Tender Committee deems necessary.

7.6. Issuance of the Tender Documents; Update Statement

Without derogating from the generality of the provisions of Section [2.142.14](#) (Reservation of Rights), it is expected that pursuant to the Tender Documents, each Eligible Participant will be required to include a statement detailing any and all changes with respect to the Participant, its Members, and, if applicable, its Guarantors and/or its Major Subcontractors, which will have occurred since the date of the Pre-Qualification Submission. It is expected that even in the absence of any changes, a statement to that effect will be required.

**Issuance of the
Tender Documents;
Update Statement**

The Tender Committee will review the information and, without derogating from its rights under Law or under the Tender Documents, shall be entitled to either disqualify any Eligible Participant in the event that such Eligible Participant will no longer meet the requirements of this Invitation and/or impose any condition or instruction on its participation in the tender process.

APPENDIX A

DEFINITIONS

"Addenda"	Shall have the meaning ascribed thereto in Section 2.122-12 (Addenda) of this Invitation.
"Anticipated Holdings"	Shall mean the intended share of holdings of each Member in the Participant, as described in <u>Pre-Qualification Form "B"</u> .
"Commitment"	Shall mean the overall amount of all financial commitments <u>and contributions</u> made available to a Private <u>Investment Financial</u> Fund by its limited partners.
"Contract Value"	Shall mean the total amount of all payments which were paid to the Entity presenting the referenced contract, pursuant to that specific referenced contract, excluding VAT, and interest.
"Conference"	Shall have the meaning ascribed thereto in Section 2.11 (Conference) of this Invitation.
"Banking Corporation"	Shall mean (i) each of the Entities listed in Section 4 of Schedule 1 of the Securities Law 1968; and\or (ii) with respect to an Entity registered outside the State of Israel - a similar Entity pursuant to applicable law under the applicable jurisdiction.
"Control"	Shall have the meaning ascribed thereto in Section 1 of the Securities Law 1968.
"Desalination Expert"	Shall mean the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Sections 5.15-4 (<u>Desalination Plants Design and Construction Experience</u> Desalination Plants Design and Construction Experience) of this Invitation.
"Eligible Participant"	Shall have the meaning ascribed thereto in Section 7.3 (Announcement of Eligible Participants) of this Invitation.
"Entity"	Any corporation, company, or partnership, recognized by law within its domicile, excluding individuals.

"EPC Contractor"	Shall mean the Entity to assume on a "back-to-back" basis the design and construction obligations of the Seller vis-à-vis the State, as shall be further described in the Tender Documents.
"EPC Contractor Member"	Shall mean any Entity holding or committed to hold shares or other interests in the EPC Contractor.
"EPC Expert"	Shall mean the Entity which demonstrated compliance with the Pre-Qualification Requirement detailed in Section <u>5.25.2 (Infrastructure Projects "Main Contractor" ExperienceInfrastructure Project Execution, Management and Organization Experience)</u> of this Invitation.
"Equity"	Shall mean shareholders Equity excluding minority interests.
"Financial Entity"	Shall mean: (i) a Private Investment Fund; (ii) a Banking Corporation; or (iii) an Institutional Investor
"Financial Statements"	Shall mean for each entity its three most recently available annual audited consolidated financial statements immediately preceding the Pre-Qualification Submission Date (that for the removal of doubt shall not be earlier than 2014) which includes a report signed by the external auditor of the Entity, confirming its compliance with one of the accounting standards specified pursuant to Sections <u>5.4.85.4.85.4.8</u> (Content and Submission Form).
"Financial Pre Qualification Requirements"	Shall have the meaning ascribed thereto in Section <u>5.45.4</u> (Financial Pre-Qualification Requirements) of this Invitation.
"Guarantor"	Shall have the meaning ascribed thereto in Section 5.4.4 (Reliance on a Guarantor).
"Interested Parties"	Shall have the meaning ascribed thereto in The Communication (Bezeq and Broadcasting) Law 1982 ("בעל עניין"), <u>provided that for the purpose of this definition - the reference therein to "5%" shall be replaced by "15%"</u> .
"Institutional Investor"	Shall mean (i) each of the Entities listed in Sections 1-3 of Schedule 1 of the Securities Law 1968; and/or (ii) with respect to an Entity registered outside the State of Israel – a similar Entity pursuant to applicable law under the applicable jurisdiction.
"Invitation"	Shall have the meaning ascribed thereto in Section <u>2.52.5</u> (The Invitation) of this Invitation.

"Law(s)"	The various national (or state) laws and legislation, statutes, ordinance, codes, and regulations as enacted by the State, and any by-laws, codes and regulations and precedents enacted by the relevant authorities or municipalities, as modified, amended, replaced or created from time to time.
"Major Subcontractor"	Shall have the meaning ascribed thereto in Section 3.33.3 of this Invitation.
"Main Contractor"	Shall mean an entity which is directly accountable for the execution of the referenced project, bearing all the risks related to the execution thereof, including its management and administration and the engagement and coordination of all subcontractors. For the avoidance of doubt entities which are directly accountable for the execution of the referenced project under a concession agreement will not be considered as Main Contractor under this definition.
"Member"	Shall have the meaning ascribed thereto in Section 3.2.1 (Definition of Members of a Participant) of this Invitation.
"Offence"	Shall mean a criminal offence, in Israel or abroad, which constitutes a felony ("עוון") or worse, or another criminal offence which resulted in prison sentence of at least one (1) year (or longer), or if the Entity or any office holder or representative thereof is not a resident of or domiciled in the State of Israel, analogous offences committed under the laws of its domicile, and which verdict was given during the last seven (7) Years.
"O&M Contractor"	Shall mean the Entity to assume on a "back-to-back" basis the operation and maintenance obligations of the Seller vis-à-vis the State, as shall be further described in the Tender Documents.
"O&M Contractor Member"	Shall mean any Entity holding or committed to hold shares or other interests in the O&M Contractor.
"O&M Expert"	Shall mean the Entity which demonstrated compliance with the Pre-Qualification Requirement detailed in Section 5.35.3 (<u>Water-Treatment Facilities Operation and Maintenance Operation and Maintenance of Desalination Facilities</u> ; Experience) of this Invitation.
"Operating Cash Flow"	Shall have the meaning ascribed thereto in Section 5.4.2 (Operating Cash Flow) of this Invitation.

"Participator"	Shall mean any Member of the Participant, any Guarantor, the Desalination Expert, the EPC Expert, the O&M Expert, any other Major Subcontractor.
"Pre-Qualification Process"	Shall mean the pre-qualification process commencing upon the issuance of this Invitation, and ending upon the announcement of Eligible Participants.
"Pre-Qualification Submission Date"	Shall have the meaning ascribed thereto in Section 6.9 (Pre-Qualification Submission Date) of this Invitation.
"Participant"	Shall have the meaning ascribed thereto in Section 3.1.1 (Definition of a Participant) of this Invitation.
"Participator"	Shall have the meaning ascribed thereto in Section 7.5 (Disqualification of the Pre-Qualification Submissions) of this Invitation.
"Pre-Qualification Requirements"	Shall have the meaning ascribed thereto in Section 5 (Pre-Qualification Requirements) of this Invitation.
"Pre-Qualification Submission"	The complete written pre qualification submission, complying with the terms and conditions contained in this Invitation and including all the information and completed <u>Pre-Qualification Forms</u> called for pursuant to this Invitation, as submitted and duly signed by Participants.
"Private Investment Fund"	Shall mean an Entity incorporated for the purpose of making financial investments in which: (i) at least 60% of its capital (at any given time), is held by Institutional Investors; and (ii) at least 60% of the investments actually made by it (at any given time), were made by Institutional Investors.
"Regulations"	Shall have the meaning ascribed thereto in Section 2.2 (Governing Law), of this Invitation.
"Seller"	Shall have the meaning ascribed thereto in Section 1.2 (the Selection Process) of this Invitation.
"Signature Date"	Shall mean the signature date of the Project agreement with the Seller.
"State"	State of Israel.
"The Tender Committee"	The committee appointed by the Accountant General in accordance with the provisions of the Regulations, in order to control and manage the Pre-Qualification Process.

"Unutilized Commitments"

Shall mean the overall Commitments deducted by funds invested and funds committed to be invested by the Private Investment Fund.

"Year(s)"

The twelve (12) months period immediately preceding the Pre-Qualification Submission Date.

APPENDIX B

GENERAL DESCRIPTION OF THE PROJECT

1. Project's scope

- 1.1. The plant will desalinate Mediterranean sea-water, by the use of reverse osmosis technology (SWRO).
- 1.2. The plant shall have a production capacity of ~~between 150~~ 200 MCMY, as shall be determined in the Tender Documents.
- 1.3. The product water shall be potable water with low Boron and Chlorides concentrations and of quality that complies with the Israeli Ministry of Health regulations for sea water desalinated water (תקנות בריאות העם – איכותם התברואית של מי שתייה (ומתקני מי שתייה)).
- 1.4. The plant will include a sea-water supply and pumping system, pre-treatment (filtration) system, desalination island (based on reverse osmosis process), desalinated product water post treatment (re-mineralization, stabilization and disinfection) system, operational reservoir, brine discharge and dispersion system, and other auxiliary systems.
- 1.5. The supply of the desalinated water will be distributed throughout the year, according to seasonality supply regime, as shall be further elaborated in the Tender Documents.
- 1.6. The battery limits of the plant will be at the connection point to the "Mekorot" national water grid.
- 1.7. Brine and wash water effluent will be subject to the Ministry of Environmental Protection regulations.
- 1.8. Power supply to the plant will be through the IEC grid. The Tender Documents will include further details with respect to the option (if such an option will be granted) to construct and operate an independent power plant (IPP) at the Site.

2. Location and area

- 2.1. The plant will be situated at the "Sorek Plot B" site, reserved by National Infrastructure Scheme no. 36 (תת"ל 36).
- 2.2. The site is located about 2 km east to the sea-shore.
- 2.3. The land infrastructure corridor route which runs between the site and the sea-shore, crosses the "Sorek National Park" (גן לאומי שורק), and runs through a military zone.
- 2.4. Further west, from the sea-shore westward, the marine infrastructure corridor will also be located at a military zone.

- 2.5. The above poses various design, construction and operation limitations, as shall be further elaborated in the Tender Documents.
- 2.6. North of the site lays adjacent the existing 150 (MCMY) Sorek (Plot A) SWRO Desalination Plant. This project includes also a 140MW natural gas combined cycle IPP.

3. Reservations

It is hereby emphasized that description is general and indicative, and that the actual scope of Project shall be determined in the Tender Documents.

APPENDIX C

LIST OF ADVISORS

The following are the advisors to the Tender Committee:

Adan Technical and Economic Services Ltd., Technical Advisors

Aviv Management Engineering and Information Systems Ltd.

M.L.G.R - Urban, Transportation & Infrastructure Planning & Projects Management Ltd., Statutory Advisors

Ms. Einat Tepper, Financial and Economic Advisor

Lipa Meir & Co., Attorneys-at-Law, Legal Advisors