



INVITATION FOR PRE-QUALIFICATION

**For Participation in a Tender for the Acquisition of
Holdings in Ashdod Desalination Ltd. and Ashdod
Desalination – Operation Ltd.**

March 2019

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1. INVITATION FOR PRE-QUALIFICATION

1.1. General Introduction

Mekorot Development and Enterprise Ltd. (the "**Seller**") is the direct sole shareholder of Ashdod Desalination Ltd. (the "**Concessionaire**") and Ashdod Desalination – Operation Ltd. (the "**Operator**").

The Concessionaire is a special purpose limited liability private company, incorporated under the laws of the State of Israel that received from the State a concession to finance, design, construct, operate and maintain a 100 million m³ per annum of desalinated sea water facility in Ashdod, Israel (the "**Project**"), and accordingly, the Concessionaire and the State of Israel have entered into the Concession Agreement.

The Operator is a limited liability private company, incorporated under the laws of the State of Israel, for the purpose of providing operation and maintenance services to the Project, and the Concessionaire and Operator are engaged in an operation and maintenance agreement.

The Seller is wholly owned, indirectly, by the State. The Concessionaire and the Operator are wholly owned by the Seller.

It is the intention of the Seller to sell its entire direct holdings and interests in the Concessionaire and the Operator, to an entity from the private sector, that will replace the Seller as the sole shareholder of the Concessionaire and the Operator in accordance with the terms of the Tender Documents.

It is clarified that both the Senior Agent and the State of Israel are expected to be closely involved in the tender process.

1.2. The Selection Process

The Tender Committee intends to select the entity that will acquire the Seller's holdings and interests in the Concessionaire and the Operator in the following stages:

- 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.

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.

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 2.13 (*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.

In the event that less than three (3) Participants are announced as Eligible Participants or continue participating in the tender process, the Tender Committee intends to consider determining an additional submission period for Pre-Qualification Submissions (the "**Additional Submission Period**"). Participants who participated in the Pre-Qualification process but were not announced as Eligible Participants, as well as new Participants who did not participate in the Pre-Qualification Process, or any combination thereof, shall be entitled to participate in the Additional Submission Period. For this purpose, the Tender Committee may decide to amend the terms of the Invitation, including the Pre-Qualification Requirements.

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 Seller's holdings and interests in the Concessionaire and the Operator.

Without derogating from the Tender Committee's rights to postpone any of the dates detailed in Section 1.6 (*Anticipated Schedule*) in accordance with the provisions of this Invitation, and/or from the Seller's and/or Tender Committee's rights pursuant to Section 2.13 (*Reservation of Rights*), it is expected that the invitation to submit bids, including the procedures, requirements, selection criteria and the Share Purchase 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 to participate in the Pre-Qualification Process, according to the terms and conditions of this Invitation.

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:

- a. Questions Submission deadline: May 9, 2019;
- b. Pre-Qualification Submissions Date: June 13, 2019.

1.7. General Description of the Project

Participants' attention is drawn to the indicative description of the Project set forth in 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"**.

2.2. Governing Law and Jurisdiction

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

2.3. Conformity with All Applicable Laws

Each Participant is assumed to have obtained legal advice. 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.

2.4. The Invitation

The invitation for Pre-Qualification includes this invitation for Pre-Qualification (including its Appendices) and the Pre-Qualification Forms (the "**Invitation**"). 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 will also be provided to all Participants in Word format.

2.5. Priority of Documents

In the event of discrepancies within the Invitation, the Tender Committee shall determine, at its sole discretion, which provision shall prevail or otherwise determine the appropriate interpretation, which shall be final and binding. Any discrepancy shall be brought to the attention of the Tender Committee as soon as possible.

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.

2.7. Participation Fee

- a. The Invitation is available for review, without any charge, at the Seller's offices, following prior coordination with Mr. Boaz Salomon at the email address: Boaz@mfaculty.com or at telephone no. +972-523775288, or by sending a request (to the above email address) to receive the Invitation by email, or at the following website: <http://www.mekorot.co.il/Heb/newsite/DevEnterprise/Auction/Pages/AuctionHome.aspx>.

- b. A pre-condition for the participation in the Pre-Qualification Process is payment of a Participation Fee of NIS 15,000 (fifteen thousand NIS) (inclusive of VAT) (the "**Participation Fee**").
- c. No additional payment with respect to the Tender Documents will be charged.
- d. The Participation Fee shall be transferred into account no 550799, at the Mizrahi-Tefahot Bank, Branch no. 461, in the name of the Seller. For the avoidance of doubt it is hereby advised that the Participation Fees shall not be refunded in any event.
- e. In order to receive a receipt of payment, Participants are requested to send confirmation of such transfer to Mr. Boaz Salomon, e-mail Boaz@mfaculty.com, indicating the name of the pre-qualification invitation, the name of the paying entity and contact details.
- f. Each Entity or Participant paying the participation Fee shall provide the Tender Committee with details of its identity. Those details shall include the name of the Participant, its Authorized Representative and contact details thereof (address, telephone, fax and email). The Tender Committee shall not be responsible for any damage or loss of any kind which may have been caused to an Entity or Participant or anyone on their behalf due to an error or omission with respect to the contact details provided under this Section.
- g. A Participant who has not paid the Participation Fee itself may nevertheless submit a Pre-Qualification Submission based on the purchase of such right to participate by another entity and the assignment or transfer thereof. It is clarified that a purchase of the Invitation may be made by a person or entity on behalf of another as long as each single purchase shall entitle a single Pre-Qualification Submission.
- h. It is hereby emphasized that the payment of the Participation Fee 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 or the Tender Documents.

2.8. 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 by the Tender Committee or the Seller for any costs or expenses so incurred thereby, including in case that the Pre-Qualification Process or the tender process is terminated, at any stage, for any reason.

2.9. 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.

2.10. 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. Participants who have paid the Participation Fee 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:

Mr. Maharan Frozenfar

Tel: +972-72-215-5999

Fax: +972-3-303-6365

E-mail: Maharan@mfaculty.com

- 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 2.11 (*Addenda*). Participants shall acknowledge receipt of any Addendum in the manner set forth in Section 2.11 (*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 2.10 will be accepted or rejected at the sole discretion of the Tender Committee.

2.11. 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 2.13 (*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, up to the dates set for the submission of Pre-Qualification Submissions (as may be extended from time to 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 paid the Participation Fee. 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 2.10 (*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 2.11 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 (*Anticipated Schedule*), 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 and the date of receipt thereof.

2.12. 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 2.10 (*Clarification of this Invitation*).
- c. The participation at the Conference (if held) shall not be deemed a Pre-Qualification Requirement or pre-condition for the submission of the Pre-Qualification Submission.
- d. 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.
- e. 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.
- f. 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 2.11 (*Addenda*).

2.13. Reservation of Rights

- a. All Participants acknowledge that the tender process specified in this Invitation is general and indicative only. All Participants further acknowledge that at the date of issuance of this Invitation, the tender process 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 Seller

or the Tender Committee or anyone on their behalf with respect to the tender process or the Project.

Furthermore, the Seller and the Tender Committee reserve the right to redefine the tender process, including the terms and conditions for the selection of the Eligible Participants and/or Winning Bidder (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 Seller and the Tender Committee express their intention to carry out a tender process for the selection of a Winning Bidder, the issuance of this Invitation is not intended to guarantee the initiation, execution or the implementation of the tender process or any part thereof.
- c. The Seller and the Tender Committee do not represent or warrant that the information contained in the Invitation or any other information which is made or will be made available to Participants is either complete or accurate. 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 Seller and the Tender Committee is at the Entity or Participant's sole responsibility. The Seller, 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.
- d. Without derogating from the generality of the above, the Seller and the Tender Committee reserve the right not to proceed with this Pre-Qualification Process, or with the tender process or any part thereof, and may terminate or cancel this Invitation or any other proceedings which are conducted with respect thereto, at any time, as it shall deem appropriate.
- e. Under the circumstance described herein, and without derogating from the provisions of Section 2.7 (*Participation Fee*), neither the Seller nor the Tender Committee nor the Senior Lenders, 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.
- f. The Seller 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.

2.14. Advisors to the Tender Committee

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

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, the Senior Agent and the State, without the prior written approval of the Tender Committee.

The Tender Committee reserves the right 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 event of its engagement, for purposes of the Pre-Qualification Process and/or the tender process, with any other advisor, employee or service provider which was involved in the Project on behalf of the Seller, Concessionaire, Operator, State, Finance Providers or Mekorot Water Company Ltd.

2.15. Intellectual Property Rights

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

2.16. Limitation of Remedies

In participating in the Pre-Qualification Process, the Participant and any other entity participating on its behalf in the process shall be considered to have waived their right to request any interim, temporary or any other remedy or relief with respect to the Pre-Qualification Process (including any relief which may result in any suspension or delay thereof) and shall be prevented from requesting such remedy or relief.

3. GENERAL PROVISIONS RELATING TO PARTICIPANTS

3.1. The Participant

3.1.1. Definition of a Participant

A Participant shall mean any single Entity or an association of Entities which shall participate in the Pre-Qualification Process ("**Participant**").

3.1.2. Content and Format of the Submission

In order to, *inter alia*, demonstrate compliance with the requirements specified under Section 3.1.1 (*Definition of a Participant*), Pre-Qualification Forms "A" and "B" should be duly completed and signed by the Participant.

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 comprising the Participant, as evidenced by Pre-Qualification Form "B", each of which complies with all of the following ("**Member**") (and in case that a Participant is a single Entity, the Participant shall also be the Member):

- 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 or a nationals of a country 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.

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

3.2.2. Content and Format of the Submission

In order to, *inter alia*, demonstrate compliance with the requirements specified under Section 3.2.1 (*Definition of Members of a Participant*), Pre-Qualification Form "C" should be duly completed and signed by each Member.

3.3. Experience Providers

3.3.1. Definition of an Experience Provider

Experience Providers are those Entities which may be relied upon by a Participant for the purpose of demonstrating compliance with the Technical Pre-Qualification Requirements as is evidenced by Pre-Qualification Forms "D" and "E", each of which complies with the following ("**Experience Providers**"):

- a. An Experience Provider must be duly organized and validly existing under the laws of the jurisdiction in which such an Experience Provider was organized;
- b. An Experience Provider (including Interested Parties in the Experience Provider, directors or managers thereof, and including individuals), shall not be a resident or a national of a country 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 requirements specified under Section 3.3.1 (*Definition of an Experience Provider*), Pre-Qualification Forms "D" and "E" should be duly completed and signed by the Participant and each Experience Provider.

3.4. Nomination of an Authorized Representative

- a. Following the payment of the Participation Fee, each paying Entity shall nominate an authorized representative for the purpose and with the authority as described below (“**Authorized Representative**”). The Participant's Authorized Representative shall be responsible for all communication with the Tender Committee during the Pre-Qualification Process. All communications and actions of the Authorized Representative shall be deemed as communications and actions of the relevant Participant and its Members and shall bind the Participant and its Members.
- b. The Tender Committee shall not be responsible for any communication held with or by any other person other than the Authorized Representative.
- c. All correspondence on behalf of the Tender Committee shall be communicated to the Authorized Representative by fax, mail or e-mail, according to the details provided by the Participants.
- d. An Entity may replace its Authorized Representative by prior written notice to the Tender Committee, signed by such Entity. The appointment of an Authorized Representative may not be terminated prior to the receipt by the Tender Committee of the notice with respect to the appointment of a replacement.

3.5. Participation in One Pre-Qualification Submission

3.5.1. General

- a. Each Participant may submit only one Pre-Qualification Submission.
- b. Each Member and each Guarantor may participate in only one Participant.
- c. Each Experience Provider may participate in only one Pre-Qualification Submission.

3.5.2. Exclusions

For the purpose of the provisions of Section 3.5.1 (*General*), the following will apply:

- a. The terms "**Member**", "**Guarantor**" and "**Experience Provider**" (if applicable), shall be deemed to include any Related Entity of such Member, Guarantor or Experience Provider.
- b. Notwithstanding the provisions of Section 3.5.1.c above, for the purposes of demonstrating compliance with the Technical Pre-Qualification Requirements, the Participant may introduce several potential Entities as Experience Providers, provided that in the event such Participant is announced as an Eligible Participant and invited to submit a bid, only one of such Experience Providers will be submitted by such Eligible Participant in its bid and such Experience Provider shall not be entitled to participate in a different bid.

3.6. Participation of Government Companies

Companies budgeted by the State as defined under Section 21 of the State Budget Law 1985 [יגוף 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 [יגוף נתמך] and/or Companies subject to the provisions of the Government Companies Law 1975, are not permitted to participate in the Pre-Qualification Process either as a Participant, as a Member of a Participant or a Guarantor nor as an Experience Provider of a Participant.

3.7. Centralization Law Aspects

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).

To the extent that any limitation is imposed on a Participant as aforesaid, the Tender Committee may authorize, at its sole discretion, any change required for the removal of such limitation, including changes to the composition of the Participant or with respect to a Member, Guarantor, Experience Provider, and changes to the relevant Pre-Qualification Submission, provided that following such changes, the Participant shall meet the Pre-Qualification Requirements.

3.8. Compliance with Senior Lenders and EIB Regulatory Requirements

Each Participant and Eligible Participant must comply with all regulatory and compliance requirements of each of the Senior Lenders and the European Investment Bank, which may be introduced or required by the Senior Lenders and the European Investment Bank via the Tender Committee during the Pre-Qualification Process and/or under the Tender Documents.

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 Eligible Participant, or impose any condition or instruction on its participation in the Pre-Qualification Process and/or the tender process, in the event it fails to comply with any such regulatory requirements.

3.9. Participation in Multiple Capacities

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

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.

4.2. Description of the Participant, Members and the Experience Providers

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 3.1 (*The Participant*), 3.2 (*Members of the Participant*) and 3.3 (*Experience Providers*).

4.3. Receipt of Purchase

Each Participant shall include in its Pre-Qualification Submission a copy of the receipt for payment of the Participation Fee by the Participant, any one of its Members or another entity in accordance with Section 2.7 (*Participation Fee*).

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

Each Participant will be required to demonstrate its compliance with all of the Technical Pre-Qualification Requirements detailed in Sections 5.1.1 (*Design and Construction Experience*) and 5.1.2 (*Operation and Maintenance Experience*) and the Financial Pre-Qualification Requirements detailed in Section 5.2 (*Financial Pre-Qualification Requirements*) (each, a "**Pre-Qualification Requirement**" and collectively "**Pre-Qualification Requirements**").

5.1. Technical Pre-Qualification Requirements

The Participant is required to demonstrate compliance with the technical Pre-Qualification Requirements set forth in Sections 5.1.1 (*Design and Construction Experience*) and 5.1.2 (*Operation and Maintenance Experience*) (the "**Technical Pre-Qualification Requirements**").

For the removal of doubt, the same project may be presented pursuant to Sections 5.1.1 and 5.1.2.

5.1.1. Design and Construction Experience

The Participant is required to demonstrate that either it, one of its Members or one of its Experience Providers, has, within the past ten (10) Years, designed and constructed a desalination facility, or several facilities, based on the reverse osmosis process design, with accumulated production capabilities of not less than 150,000 m³/day, out of which at least one (1) is a sea-water desalination facility with a total production capacity of not less than 100,000 m³/day. The said referenced desalination plants must still be in operation, and have a demonstrated record, readily available for inspection, of successful performance over the past one (1) Year.

For the purpose of this Section 5.1.1 (*Design and Construction Experience*), it is clarified that the required experience may also be demonstrated by reference to an expansion of an existing facility, however, to the extent the original facility does not meet, as of itself, the above requirements, the expansion of the facility will not be

deemed to include the original facility for purposes of demonstrating the required experience.

5.1.2. Operation and Maintenance Experience

The Participant is required to demonstrate that either it, one of its Members or one of its Experience Providers, has successfully operated and maintained water facilities in a manner demonstrating compliance with at least one of the following:

- a. During a period of at least twenty four (24) months within the past seven (7) Years; one or more desalination or other water or waste-water treatment facilities, with an aggregate production capacity of no less than 150,000 m³/day, of which, at least one facility is a sea-water desalination facility, based on a reverse osmosis process design with production capacity of no less than 50,000 m³/day; or
- b. During a period of at least twenty four (24) months within the past seven (7) Years; one sea-water desalination facility, based on a reverse osmosis process design with production capacity of no less than 100,000 m³/day.

Such facility(ies) should have a demonstrated record, readily available for inspection, of successful performance during its (their) commercial operation phase.

5.1.3. Reliance on other Entities

- a. For purposes of demonstrating compliance with the Technical Pre-Qualification Requirement specified in Section 5.1.1 (*Design and Construction Experience*), each Member or Experience Provider, is allowed to present applicable projects which it executed through a single purpose Entity that served as the "Main Contractor" of the applicable project, provided that:
 - (i) such Member or Experience Provider's share (directly, or indirectly through a wholly-owned single purpose holding Entity) in such Entity was not less than 30%, and if such Entity is a joint venture, such Member or Experience Provider was jointly and severally responsible for the design and construction of the applicable project; and
 - (ii) In the event that such Member or Experience Provider did not actually perform the desalination process design of the applicable project, the Participant is required to present an additional Entity, which can demonstrate having performed the desalination process design of desalination plants as required by Sections 5.1.1 (*Design and Construction Experience*) (for the removal of doubt - not necessarily within the same project executed by the "Main Contractor" and introduced by the Member or Experience Provider) (the "**Design Contractor**").
- b. For purposes of demonstrating compliance with the Technical Pre-Qualification Requirement specified in Sections 5.1.1 (*Design and Construction Experience*), in the event that the Member or Experience Provider is the sole purpose Entity which was the "Main Contractor" of the project and it did not actually perform the

desalination process design of the applicable project, the Participant is required to present a Design Contractor.

- c. For purposes of demonstrating compliance with the Technical Pre-Qualification Requirement specified in Section 5.1.2 (*Operation and Maintenance Experience*), each Member or Experience Provider, is allowed to present the applicable projects which it operated through another Entity which was responsible for the operation and maintenance of the applicable project, provided that such Member or Experience Provider's share (directly, or indirectly through a wholly-owned single purpose holding Entity) in such Entity was not less than 30%, and if such Entity is a joint venture, such Member or Experience Provider was jointly and severally responsible for the operation and maintenance of the applicable projects.
- d. A Member or Experience Provider meeting the foregoing conditions shall be allowed to rely on the entire capacity of the applicable projects.

5.1.4. Content and Format of the Submission

In order to demonstrate compliance with the Pre-Qualification Requirements specified under Sections 5.1.1 (*Design and Construction Experience*) and 5.1.2 (*Operation and Maintenance Experience*) Pre-Qualification Forms "F" and "G" should be duly completed and signed by the applicable Member or Experience Provider or Design Contractor.

5.1.5. 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:
 - (i) bidders will be required to engage with an EPC contractor, which shall be responsible to perform the necessary rectification works of the Project, on a back-to-back basis with the respective obligations of the Concessionaire towards the State under the Concession Agreement relating to such works (the "**New EPC Contractor**").
 - (ii) bidders will be required to demonstrate that the New EPC Contractor shall be responsible, during the period of performance of the rectification works of the Project and for an additional 12 months thereafter, also for the operation and maintenance of the Project, on a back-to-back basis with the respective obligations of the Concessionaire towards the State under the Concession Agreement.

For purposes of demonstrating compliance with the above, bidders will be required to demonstrate that either: (i) an Entity which complies with the Technical Pre-Qualification Requirements specified in Section 5.1.2 (*Operation and Maintenance Experience*) (even if not the same Entity chosen by the Participant to demonstrate compliance with Section 5.1.2 (*Operation and Maintenance Experience*)) holds at least 30% of the share capital / interests in the New EPC Contractor, or (ii) the New EPC Contractor will engage with the Entity which demonstrated compliance with

the Pre-Qualification Requirements detailed in Section 5.1.2 (*Operation and Maintenance Experience*) for performance of the operation and maintenance of the Project during the relevant period, or (iii) the New EPC Contractor will engage with the Operator for performance of the operation and maintenance of the Project during the relevant period.

- (iii) bidders will be required to demonstrate that the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.1 (*Design and Construction Experience*) shall be responsible for performing such tasks as shall be detailed in the Tender Documents and the Entity which demonstrated performance of desalination process design (whether the Member, Experience Provider or Design Contractor), shall be responsible for performing the process design (and such additional tasks as shall be detailed in the Tender Documents).
 - (iv) the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.1 (*Design and Construction Experience*) shall be required to hold at least 50% of the share capital / interests in the New EPC Contractor.
 - (v) the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.2 (*Operation and Maintenance Experience*) shall be required to hold at least 50% of the share capital / interest in the Operator.
 - (vi) Bidders will be required to demonstrate that all anticipated members of the New EPC Contractor and all anticipated members of the Operator comply with certain requirements, including, without limitation:
 - a. Compliance with such requirements which the Experience Provider is required to comply with in accordance with Section 3.3.1 (*Definition of an Experience Provider*);
 - b. participation of such entity and any Related Entity thereto in only one bid; and
 - c. its most recent available Financial Statements do not include any going concern notice.
- b. In addition, the attention of all Participants is drawn to the fact that the Tender Documents may provide that additional score will be awarded in the following cases: (i) similar structure of holdings of the Concessionaire, the New EPC Contractor and the Operator; (ii) the Entity demonstrating compliance with the Technical Pre-Qualification Requirements specified under Section 5.1.2 (*Operation and Maintenance Experience*) can also demonstrate compliance with Section 5.1.1 (*Design and Construction Experience*) (even if another Entity is chosen by the Participant to demonstrate compliance with Section 5.1.1 (*Design and Construction Experience*)); and (iii) the Entity demonstrating compliance with the Technical Pre-Qualification Requirements specified under Section 5.1.1 (*Design and Construction*

Experience) actually performed the design process of the demonstrated projects, so that the Participant did not rely on a Design Contractor.

5.2. Financial Pre-Qualification Requirements

5.2.1. Financial Pre-Qualification Requirements - General Provisions

- a. The Participant and its Members are required to demonstrate compliance with all of the Pre-Qualification Requirements set forth in Section 5.2.2 (*Turnover*), Section 5.2.3 (*Operating Cash Flow*), Section 5.2.4 (*Equity of Members*) and Section 5.2.5 (*Going Concern*) (the "**Financial Pre-Qualification Requirements**"). Notwithstanding the foregoing, Members which are Financial Entities shall be required to meet the requirements set forth in Section 5.2.6 (*Financial Pre-Qualification Requirements – Members that are Financial Entities*).
- b. For the purpose of demonstrating compliance with the Financial Pre-Qualification Requirements, a Member which is not a Financial Entity may seek to rely on a Guarantor, provided that such Guarantor provides the said Member with a letter of guarantee in the form of Pre-Qualification Form "I", and provided that both the Member and its Guarantor comply with the requirement under section 5.2.5 (*Going Concern*) below.
- c. In this Invitation, a "**Guarantor**" shall mean an Entity which possesses Control over the Member seeking to rely on the financial results thereof (the "**Parent Company**"), and which complies with all Financial Pre-Qualification Requirements.
- d. In the event that the Guarantor is a Member of the Participant; for the purpose of determining compliance with all Financial Pre-Qualification Requirements, the Anticipated Holdings of such Guarantor will be deemed to include all Anticipated Holdings of the Member seeking to rely on such Guarantor, i.e. such Guarantor data will be examined with respect to the aggregated Anticipated Holdings of the Guarantor (in its capacity as a Member), together with the Anticipated Holdings of the Member seeking to rely on such Guarantor.

5.2.2. Turnover

The Participant should demonstrate, based on the respective Financial Statements of its Members, that the Participant Turnover (as defined below) has been at least the Minimum Turnover (as defined below).

For purposes of this Pre-Qualification Requirement, the Participant Turnover shall be calculated as follow –

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

Where:

ATO_i = the Turnover Average (as defined below) of Member i .

HS_i = the Anticipated Holdings of Member i .

(hereinafter: “**Participant Turnover**”)

For purposes of this Pre-Qualification Requirement, the Turnover Average of each Member shall be calculated in the following manner:

- a. For a Member who is either a Financial Entity or whose Anticipated Holdings are less than ten percent (10%): zero (0);
- b. For a non-Financial Entity Member whose Anticipated Holdings are equal to ten percent (10%) or more:

$$\text{Turnover Average} = (\text{TO}_t + \text{TO}_{t-1} + \text{TO}_{t-2}) / 3$$

Where:

TO_t – the Member turnover on year t ;

t – the most recent calendar year (of the Financial Statements);

For the purpose of this Section, “**Minimum Turnover**” shall mean:

- (i) For Participants that do not include Members that are Financial Entities - 450,000,000 NIS (or the equivalent thereof);
- (ii) For Participants that include Members that are Financial Entities - 450,000,000 NIS (or the equivalent thereof) multiplied by the percentage of Anticipated Holdings held by the non-Financial Entities Members of the Participant.

5.2.3. Operating Cash Flow

- a. The Participant should demonstrate that each of its non-Financial Entity Member’s average cash flow from operating activities during the past three Years based on their Financial Statements (“**Operating Cash Flow Average**”), is not negative.

For purposes of this Pre-Qualification Requirement, the Operating Cash Flow Average of each non-Financial Entity Member shall be calculated in the following manner:

$$\text{Operating Cash Flow Average} = (\text{CF}_t + \text{CF}_{t-1} + \text{CF}_{t-2}) / 3$$

Where:

CF_t – the Operating Cash Flow on year t ;

t – the most recent calendar year (of the Financial Statements).

b. In the event that the Operating Cash Flow Average of a non-Financial Entity Member calculated pursuant to sub-Section (a) above is negative, such Member shall demonstrate that the ratio between:

(i) the absolute value of the lower of:

(1) its Operating Cash Flow Average; and

(2) its annual Operating Cash Flow during the year of its most recent available Financial Statement,

and

(ii) its equity at the last day of the year of its most recent available Financial Statements, deducted by its Required Equity;

is lower than 25%, so that (as applicable in accordance with Section 5.2.3b)(i)(1) above):

$$[\text{ABS}(\text{CF}_t + \text{CF}_{t-1} + \text{CF}_{t-2}) / 3] / (\text{E}_t - \text{Required Equity}) < 25\%$$

or (as applicable in accordance with Section 5.2.3b)(i)(2) above):

$$[\text{ABS}(\text{CF}_t)] / (\text{E}_t - \text{Required Equity}) < 25\%$$

Where:

CF - the Operating Cash Flow

ABS - in absolute values

E - the equity

t – the most recent calendar year (of the Financial Statements).

Required Equity – the equity required by such Entity under Section 5.2.4 (*Equity of Members*) below.

5.2.4. Equity of Members

The Participant should demonstrate that each non-Financial Entity Member has, for every one percent (1%) of its Anticipated Holdings, an equity of at least 2,400,000 NIS (or the equivalent thereof), on 31 December of the most recent calendar year (of the Financial Statements), based on such Financial Statements.

5.2.5. Going Concern

The most recent available Financial Statement of the Participant, each Member, each Guarantor (if applicable), the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.1 (*Design and Construction Experience*), the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.2 (*Operation and Maintenance Experience*) and the Design Contractor (if applicable), does not include any Going Concern notice.

For the purpose of demonstrating the aforesaid, each of such Entities shall submit a confirmation from its external auditor which audited its Financial Statements, confirming that its recent audited Financial Statements do not include a going concern notice.

5.2.6. Financial Pre-Qualification Requirements - Members that are Financial Entities

Notwithstanding the provision of Sections 5.2.2 (*Turnover*), 5.2.3 (*Operating Cash Flow*) and 5.2.4 (*Equity*) above, Members which are Financial Entities shall demonstrate their financial robustness by meeting the Financial Pre-Qualification Requirements set forth in this Section 5.2.6:

a. Private Investment Fund

A Member which is a Private Investment Fund is required to meet the following requirements:

- (i) As of 31 December of the year of its most recent available Financial Statements, the Committed Capital under its management was of at least 7,200,000 NIS for each one percent (1%) of the Member's Anticipated Holdings, based on its Financial Statements for that year; **and**
- (ii) As of the date 14 days prior to the Pre-Qualification Submission Date, the Uninvested Committed Capital under its management was of at least 7,200,000 NIS for every one percent (1%) of the Member's Anticipated Holdings.

b. Institutional Entities / Banking Corporations

A Member which is an Institutional Entity or a Banking Corporation is required to meet at least one of the following requirements:

- (i) Has, for every one percent (1%) of the Member's Anticipated Holdings, equity of at least 3,600,000 NIS, as of the last day of the year of its most recent available Financial Statements (after deducting the minimum equity required under the applicable law); **or**
- (ii) Has assets under management in the amount of at least 60,000,000 NIS for every one percent (1%) of the Member's Anticipated Holdings, as of the last day of the year of its most recent available Financial Statements.

For the purpose of this Section:

"Banking Corporation" shall mean the entities listed in item (4) of the first Schedule of the Securities Law 5728-1968, and in case of foreign entities - the equivalent entities under the laws of their jurisdiction.

"Private Investment Fund" shall mean a fund incorporated for the purpose of making financial investments, and which (i) at least sixty percent (60%) of its capital (at any given time) is held by Institutional Entities; and (ii) at least 60% of the investments actually made by it (at any given time), were made by Institutional Investors.

"Institutional Entities" shall mean the entities listed in items (1) to (3) of the first Schedule of the Securities Law 5728-1968, and in case of foreign entities - the equivalent entities under the laws of their jurisdiction.

"Financial Entity" shall mean a Private Investment Fund, a Banking Corporation or an Institutional Entity.

"Committed Capital" shall mean all capital commitments made to the Private Investment Fund by its limited partners.

"Uninvested Committed Capital" shall mean the Committed Capital minus the amount of all capital invested or otherwise committed by the Private Investment Fund.

5.2.7. Content and Format of the Submission

- a. In order to demonstrate compliance with the Financial Pre-Qualification Requirements, the Participant shall submit the Financial Statements of each Member, duly prepared and presented in accordance with one of the following:
 - (i) Israeli GAAP (including, with respect to the cash flow statements, Standard No. 51 of the Institute of Certified Public Accountants in Israel);
 - (ii) US GAAP (including, with respect to the cash flow statements, FAS (Financial Accounting Standards) No. 95); or
 - (iii) International GAAP (including, with respect to the cash flow statements, IAS (International Accounting Standards) IAS No. 7 and IFRS updates);

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

Members whose Financial Statements are presented based on different accounting principles than those listed in sub-Sections (i)-(iii) above, are required to submit a specific request to the Tender Committee to approve submission of such Financial Statements, at least 30 days prior to the Pre-Qualification Submission Date; the Tender Committee will consider each request on a case by case basis and may issue an Addendum as a result thereof.

- b. Without derogating from sub-Section (a) above, the Financial Statements must include balance sheet, profit and loss, cash flow, and auditor's report and notes.

- c. The Financial Statements will be provided either in English or in Hebrew, but in no other language.
- d. In the event of reliance by a Member on a Guarantor, the Financial Statements of such Guarantor shall also be included (in addition to those of the Member), and shall be subject to the provisions of this Section 5.2.7.
- e. In order to demonstrate compliance with the Financial Pre-Qualification Requirements, Pre-Qualification Forms "H", "H₁" and "H₂" should be duly completed and submitted, in accordance with one of the GAAP principles set out in sub-Section (a) above (as applicable).
- f. A Member whose Financial Statements do not include cash flow statements should provide such statements in accordance with one of the GAAP versions set out in sub-Section (a) above (as applicable), duly reviewed or audited by the Member's external auditors.
- g. In order to demonstrate compliance with the Financial Pre-Qualification Requirements specified in Section 5.2.6(a) (*Financial Pre-Qualification Requirements; Private Investment Fund*) above, a Member, who is a Private Investment Fund, is required to submit a statement by its CFO depicting the overall amount of the Committed Capital and Uninvested Committed Capital, as required pursuant to the provisions of Section 5.2.6(a) above.
- h. Without derogating from the rights of the Tender Committee under the Invitation and under Law, in the event of a contradiction between the Financial Statements for a Member submitted within the Pre-Qualification Submission, and the Pre-Qualification Forms or any other document submitted within the Pre-Qualification Submission, the Financial Statements will prevail.

5.2.8. Currencies Conversion

All financial data shall be submitted in NIS terms. In the event that the Financial Statements are presented in any currency other than NIS, the Participant shall be required to complete the Pre-Qualification Forms in NIS, in accordance with the following provisions:

- a. Turnover and Operating Cash Flow. The Turnover and the Operating Cash Flow will be converted to NIS according to the following average exchange rates of the relevant calendar financial year:

	Average* 2015	Average* 2016	Average* 2017	Average* 2018
NIS/ US\$	3.8882	3.8324	3.5755	3.6061
NIS/€	4.2920	4.2256	4.0577	4.2524

* Such values represent an average of the exchange rates prevailing on the last day of each

calendar month of the relevant fiscal year, based on data from the Bank of Israel.

- b. Equity. The Equity will be converted to NIS according to the exchange rates on the 31st of December:

	31 December, 2017	31 December, 2018
NIS/ US\$	3.467	3.748
NIS/€	4.1526	4.2916

- c. Exchange Rates Sources. The sources for the exchange rates detailed in sub-Sections (a) and (b) above are Bank of Israel tables and data.
- d. Conversion of Other Currencies. Members whose financial data is presented in currencies other than NIS/US\$/€ (the exchange rates of which are specified above), are required to submit a specific request to the Tender Committee for other currency conversions to NIS, at least 30 days prior to the Pre-Qualification Submission Date. Such a request shall contain all the relevant information, including exchange rate tables from Bank of Israel (or if such source is not applicable, a reference to the source thereof). The Tender Committee will consider each request on a case by case basis and may issue an Addendum as a result thereof.
- e. A Member 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 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.

5.3. Demonstration of Compliance by Merged Companies

- a. For the purpose of compliance with the Pre-Qualification Requirements, a Participant, a Member, a Guarantor (if applicable) and an Experience Provider may, subject to the approval of the Tender Committee as set forth below, rely of the technical experience and/or financial results of an Absorbed Company.
- b. A Participant who wishes to rely on the technical experience and/or financial results and status of an Absorbed Company is required to submit a specific request to the Tender Committee, specifying the details of the relevant merged companies and the relevant financial information and status of the Absorbed Company. Such request shall be accompanied by a lawyer's analysis of the relevant merger, the result of such merger and the implications thereof. The Tender Committee will consider each request on a case by case basis and may, at its sole discretion, allow such reliance (with or without specific instructions or conditions to apply such Participant as a result thereof), or reject the request to allow such reliance.
- c. **“Absorbed Company”** shall mean a company or a specific company's line of business which has merged prior to the Pre-Qualification Submission Date with the

Participant, Member, Guarantor (if applicable) or Experience Provider, as applicable, demonstrating the Pre-Qualification Requirement, by means of a statutory merger or an asset purchase arrangement, in such a manner as to bring about the transfer of all its relevant assets and liabilities to the Participant, Member, Guarantor (if applicable) or Experience Provider, as applicable.

6. METHOD OF SUBMISSION

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

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.

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 2.10 (*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 2.11 (*Addenda*), may be deemed unauthorized.

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.

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 Notary Public), 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, and if applicable, by the Experience Providers of the Participant and/or by the Guarantor(s).

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 Experience Providers (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.

6.6. Identification of Sensitive Information

Without derogating from the generality of the provisions of Regulation 21(e) of the Regulations (and the discretion granted thereunder to the Tender Committee), Participants will detail, within the Pre-Qualification Form “A” (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 not to be disclosed to the other Participants. General confidentiality statements will be disregarded.

In addition, in the event that a Pre-Qualification Submission contains classified information for national security reasons, then all such classified information shall be submitted by the Participant in a separate sealed envelope, which shall indicate the classification level of the information contained therein.

Nevertheless, any such indication shall not bind the Tender Committee, and it is hereby emphasized that the Tender Committee, at its sole discretion, may disclose any document which is required to be disclosed in order to meet the requirements of the Laws and this Invitation.

Bidders should note that, in the scope of the review process, they will not be entitled to review the parallel materials of other Bidders, which they themselves identified as confidential as part of their Pre-Qualification Form “A” (Pre-Qualification Submission Letter), unless otherwise determined by the Tender Committee, at its sole discretion. The aforesaid shall apply also in the event information identified by the Bidder as confidential was not approved as such by the Tender Committee.

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).

Each copy shall include a CD containing a copy of the Pre-Qualification Submission in original PDF format (i.e. not scanned).

In the event of a discrepancy between the original and the other Pre-Qualification Submission documents, and/or the CD, 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.

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

Mr. Boaz Salomon
Coordinator of the Tender Committee
Mekorot Development & Enterprise Ltd.
1 Karlibach Street
Tel-Aviv, Israel
E-mail: Boaz@mfaculty.com
Facsimile: +972-33036365

6.9. Pre-Qualification Submission Date

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.

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 2.11 (*Addenda*).

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.

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, with the assistance of any of its advisors and experts, 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.

Pre-Qualification Submissions shall either "pass" (subject or not to terms and conditions that may be stipulated by the Tender Committee) or "fail" the Pre-Qualification Process.

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.

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, e-mail or facsimile. Their receipt should be confirmed by return mail, messenger, e-mail or facsimile, to the address, e-mail or facsimile number 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 7.2 any number of times during the examination of the Pre-Qualification Submissions.

7.3. Deviations, Omissions and Additions

In any event that a Participant's Pre-Qualification Submission contains any Deviation then the Tender Committee may act as it deems appropriate, including without limitation, in any one or more of the following ways:

- a. disqualify the Participant's Pre-Qualification Submission;
- b. ignore all or part of a Deviation and, notwithstanding anything stated to the contrary in the Pre-Qualification Submission, evaluate such Pre-Qualification Submission without taking into account such Deviation;
- c. view all or part of a Deviation as technical errors which do not conflict with the principle of equality;
- d. require the Participant to correct all or part of the Deviations;
- e. The Tender Committee may decide whether to act or refrain from acting in any one or more of the alternatives listed above. The Tender Committee shall have the sole discretion to apply the abovementioned alternatives in whole or in part, or in stages, and to treat differently different Deviations in the same Pre-Qualification Submission or in different Pre-Qualification Submissions. It is hereby clarified that there is no binding preferential order which applies to the alternatives, or which restricts the Tender Committee from exercising its full discretion. If the Tender Committee chooses to proceed in any of the alternatives above, and the Participant refrains from implementing the Tender Committee's decision, the Tender Committee may, at any stage, and without

derogating from any of its other rights (including the right to conduct negotiations), disqualify the Pre-Qualification Submission.

- f. The Tender Committee may exercise its right under this Section 7.3 any number of times during the examination of the Pre-Qualification Submissions.

7.4. 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 7.5 (*Rejection of the Pre-Qualification Submissions*) and 7.6 (*Disqualification of the Pre-Qualification Submissions*) ("**Eligible Participant**").

Without derogating from the generality of the provisions of Section 2.13 (*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.

The Tender Committee shall be entitled to publish the names of the Participants, Participators and Eligible Participants.

7.5. 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.
- c. Without derogating from the Tender Committee's rights under the Invitation and under Law, the Tender Committee reserves the right to waive minor irregularities or errors in any Pre-Qualification Submission if it appears to the Tender Committee that such irregularities or errors were made inadvertently.

7.6. 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:

- a. Any changes of the Members or their Anticipated Holdings, including with respect to its Members which are Guarantors; changes in the Control of a Parent Company over a Member; change of an Entity demonstrating compliance with any or all of the Pre-Qualification Requirements; or change of the Experience Provider (Member, Parent Company, an Entity demonstrating compliance with the Pre-Qualification Requirements, a Guarantor, or an Experience Provider, may also be referred to as a "**Participant**"), 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 of the Entities required to submit a statement pursuant to Section 3.2.2 (*Content and Format of the Submission*) and/or Section 3.3.2 (*Content and Format of the Submission*) has been convicted in an Offence, 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 or national of a country which does not have diplomatic relations with the State and/or of a country which does not have full trade relations with the State;
- f. Employment or engagement of any Entity or person as specified under Section 2.14 (*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 Participant and/or the Participant's financial ability to execute the Project;
- h. Any material breach of the provisions of the Invitation including but not limited to the submission of any false incomplete, or misleading information to the Tender Committee;
- i. In the event that the latest audited financial statements of the Participant, Members in the Participant, Guarantor (if applicable), the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.1 (*Design and Construction*

Experience) or the Entity which demonstrated compliance with the Pre-Qualification Requirements detailed in Section 5.1.2 (*Operation and Maintenance Experience*), include a going concern notice;

- j. Any other reason for which the Tender Committee deems that a Participant will not be capable of executing the Project, or any other event or circumstances which the Tender Committee may consider at its sole discretion as justifying disqualification of the Participant;
- k. In the event that the Tender Committee believes that the Concessionaire, the Seller or a Related Entity of any of the foregoing had negative past experience or dealings with the Participant, the Member, the Guarantor (if applicable), an Experience Provider or any Related Entity of any of the foregoing, in a manner that the Tender Committee believes will be detrimental to the Pre-Qualification Process, the tender process or the Project (including the rectification of the Project or the operation and maintenance thereof).
- l. Any other reason for which the Tender Committee deems that a Participant is unfit to be declared as an Eligible Participant, including but not limited to, for reasons such as lack of credibility or reliability of the Participant in the Pre-Qualification Process or the tender process. With respect to the reliability aspect, the Tender Committee shall be entitled to take under consideration any action, omission, information, conduct, etc. by the Participant during the Pre-Qualification Process or the tender process.

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 7.6, within a reasonable period of time, under the circumstances. The Tender Committee may base its decision under this Section 7.6 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.

7.7. Hearing Process

In the event that the Tender Committee decides that a Participant's Pre-Qualification Submission is disqualified, such Participant shall be entitled to a hearing before the Tender Committee in relation to its decision.

7.8. Disclosure of Documents

- a. In accordance with Section 21(e) of the Mandatory Tenders Regulations 1993, each Participant shall be entitled to review the documentation as specified therein within the period of 30 days from the date of the announcement of Eligible Participants.
- b. Participants shall not be entitled to review those parts of the Tender Committee's decisions or parts of the Eligible Participants' submissions, which could, in the opinion of the Tender Committee, reveal a trade secret or a professional secret or harm the State's security or its foreign relations or economy or public security.
- c. Review of the documents shall take place in the Seller's offices (or at such other location as the Seller shall determine), subject to prior written request for review of documents and coordination of such review with the coordinator of the Tender Committee.

A Participant (or representative thereof) reviewing the documents may request a photocopy of the disclosed documents, in respect of which the Seller may charge the sum of 1 (one) NIS for each A4 sheet of paper.

7.9. Issuance of the Tender Documents; Update Statement

Without derogating from the generality of the provisions of Section 2.13 (*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 Experience Providers, 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.

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.

7.10. Further Prerogatives of the Tender Committee

- a. Without derogating from any other provision herein, the Tender Committee may at its sole discretion act upon any of the following prerogatives, whether at the Pre-Qualification Process or at the tender process as applicable. The exercise of such prerogatives shall not entitle any Participant or Participator to any compensation whatsoever.
- b. The Tender Committee has sole discretion to determine the requirements of the Pre-Qualification Process and the tender process stage. Accordingly this may include additional Pre-Qualification Requirements to those set in the Invitation, or new conditions thereof, instructions of a change in the Participant or its Participators for the purpose of compliance with the tender process requirements, etc. This prerogative may be exercised by the Tender Committee at any time, including after the issuance of the Tender Documents and up to the submission of the bids in the tender process.
- c. The Tender Committee shall have the right to examine, at any stage, whether or not any particular Pre-Qualification Submission meets the requirements of the Pre-Qualification Process, including the right to reexamine Pre-Qualification Submissions (or parts thereof) that have already been reviewed by the Tender Committee, to request additional details, request the correction of Deviations, to re-open decisions that have already been taken by the Tender Committee and replace them with different decisions, all for any reason as the Tender Committee may deem fit.
- d. The Tender Committee shall have the right, at any time, to instruct that any of the Pre-Qualification Requirements or any part, or conditions thereof shall be cancelled, if in the Tender Committee's opinion such cancellation shall serve to improve the Pre-Qualification Process, and as long as such instruction applies equally to all Participants and is made in accordance with the Laws. For the avoidance of doubt such exercise of prerogative shall be made at the discretion of the Tender Committee alone.

APPENDIX A

DEFINITIONS

"Absorbed Company"	Shall have the meaning ascribed thereto in Section 5.3 (<i>Demonstration of Compliance by Merged Companies</i>) of this Invitation.
"Addenda"	Shall have the meaning ascribed thereto in Section 2.11 (<i>Addenda</i>) of this Invitation.
"Additional Submission Period"	Shall have the meaning ascribed thereto in Section 1.3 (<i>The Pre-Qualification Process</i>) of this Invitation.
"Anticipated Holdings"	With respect to each Member, its anticipated pro-rated holdings of the share capital of the Concessionaire, in case of award as specified in <u>Pre-Qualification Form "B"</u> .
"Authorized Representative"	Shall have the meaning ascribed thereto in Section 3.4 (<i>Nomination of an Authorized Representative</i>).
"Banking Corporation"	Shall have the meaning ascribed thereto in Section 5.2.55.2.6 (<i>Financial Pre-Qualification Requirements - Members that are Financial Entities</i>).
"Concession Agreement"	The Concession Agreement dated August 8, 2011 between the Concessionaire and the State relating to the Project, as amended from time to time.
"Concessionaire"	Shall have the meaning ascribed thereto in Section 1.1 (<i>General Introduction</i>) of this Invitation.
"Conference"	Shall have the meaning ascribed thereto in Section 2.12 (<i>Conference</i>) of this Invitation.
"Control"	Shall have the meaning ascribed thereto in Section 1 of the Securities Law 1968.
"Design Contractor"	Shall have the meaning ascribed thereto in Section 5.1.3(a)(ii) of this Invitation.
"Deviation"	Any deviation, amendment, omission, addition, condition, reservation or qualification of the contents of the Invitation, including of the Pre-Qualification Requirements, made by the Participant in its Pre-Qualification Submission.

"Eligible Participant"	Shall have the meaning ascribed thereto in Section 7.4 (<i>Announcement of Eligible Participants</i>) of this Invitation.
"Entity"	Any corporation, company, voluntary association, partnership, trust or unincorporated association.
"Experience Provider"	Shall have the meaning ascribed thereto in Section 3.3.1 (<i>Definition of an Experience Provider</i>) of this Invitation.
"Financial Entity"	Shall have the meaning ascribed thereto in Section 5.2.6 (<i>Financial Pre-Qualification Requirements - Members that are Financial Entities</i>).
"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 2015) submitted in accordance with the provisions of Sections 5.2.7 (<i>Content and format of the Submission</i>) and 5.2.8 (<i>Currencies Conversion</i>).
"Financial Pre-Qualification Requirements"	Shall have the meaning ascribed thereto in Section 5.2.1 (<i>Financial Pre-Qualification Requirements – General Provisions</i>) of this Invitation.
"Guarantor"	Shall have the meaning ascribed thereto in Section 5.2.1 (<i>Financial Pre-Qualification Requirements – General Provisions</i>).
"Institutional Entity"	Shall have the meaning ascribed thereto in Section 5.2.6 (<i>Financial Pre-Qualification Requirements - Members that are Financial Entities</i>).
"Interested Parties"	Shall have the meaning ascribed thereto in The Communication (Bezeq and Broadcasting) Law 1982 ("בעל עניין"), provided that for the purpose of this definition - the reference therein to "5%" shall be replaced by "15%".
"Invitation"	Shall have the meaning ascribed thereto in Section 2.4 (<i>The Invitation</i>) 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.

"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 (<i>Definition of Members of a Participant</i>) of this Invitation.
"Minimum Turnover"	Shall have the meaning ascribed thereto in Section 5.2.2 (<i>Turnover</i>) of this Invitation.
"New EPC Contractor"	Shall have the meaning ascribed thereto in Section 5.1.5 (<i>The Tender Process - Expected Requirement</i>), of this Invitation.
"NIS"	New Israeli Shekel, the formal currency of the State (ILS).
"Offence"	Shall mean a criminal offence, in Israel or abroad, which constitutes a felony ("עוון") or a more severe offence, or another criminal offence which resulted in prison sentence of at least one (1) year (or longer), and which verdict was given during the last seven (7) years
"Operating Cash Flow"	Shall have the meaning ascribed thereto in Section 5.2.3 (<i>Operating Cash Flow</i>) of this Invitation.
"Operator"	Shall have the meaning ascribed thereto in Section 1.1 (<i>General Introduction</i>) of this Invitation.
"Parent Company"	Shall have the meaning ascribed thereto in Section 5.2.1 (<i>Financial Pre-Qualification Requirements – General Provisions</i>) of this Invitation.
"Participant"	Shall have the meaning ascribed thereto in Section 3.1.1 (<i>Definition of a Participant</i>) of this Invitation.
"Participation Fee"	Shall have the meaning ascribed thereto in Section 2.7.b) of this Invitation.
"Participator"	Shall have the meaning ascribed thereto in Section 7.6 (<i>Disqualification of the Pre-Qualification Submissions</i>) of this Invitation.

"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 Requirements"	Shall have the meaning ascribed thereto in Section 5 (<i>Pre-Qualification Requirements</i>) 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 Pre-Qualification Forms called for pursuant to this Invitation, as submitted and duly signed by Participants.
"Pre-Qualification Submission Date"	Shall have the meaning ascribed thereto in Section 6.9 (<i>Pre-Qualification Submission Date</i>) of this Invitation.
"Private Investment Fund"	Shall have the meaning ascribed thereto in Section 5.2.6 (<i>Financial Pre-Qualification Requirements - Members that are Financial Entities</i>).
"Project"	Shall have the meaning ascribed thereto in Section 1.1 (<i>General Introduction</i>) of this Invitation.
"Regulations"	Shall have the meaning ascribed thereto in Section 2.2 (<i>Governing Law and Jurisdiction</i>), of this Invitation.
"Related Entity"	With respect to any Entity - any other entity which exercises Control over such Entity, an entity under the common Control of such Entity, and an entity Controlled by such Entity.
"Seller"	Shall have the meaning ascribed thereto in Section 1.1 (<i>General Introduction</i>) of this Invitation.
"Senior Agent"	The senior agent appointed by the Senior Lenders.
"Senior Lenders"	The senior lenders of the Concessionaire under the Project's financing agreements.
"State"	State of Israel.
"Technical Pre-Qualification Requirements"	Shall have the meaning ascribed thereto in Section 5.1 (<i>Technical Pre-Qualification Requirements</i>) of this Invitation.
"Tender Committee"	The committee appointed by the Seller in accordance with the provisions of the Regulations, in order to control and manage the Pre-Qualification Process.

"Tender Documents"	Shall have the meaning ascribed thereto in Section 1.4 (<i>The Tender Process</i>).
"Uninvested Committed Capital"	Shall have the meaning ascribed thereto in Section 5.2.6 (<i>Financial Pre-Qualification Requirements - Members that are Financial Entities</i>).
"Winning Bidder"	The Eligible Participant that will be announced as the preferred bidder under the terms of the Tender Documents.
"Year(s)"	The twelve (12) months period immediately preceding the Pre-Qualification Submission Date.

APPENDIX B

INDICATIVE DESCRIPTION OF THE PROJECT

Below is a general high level overview of the Project, intended only to provide the potential Participants with initial general introduction of the Project.

This indicative description is provided for convenience purposes only and the potential Participants may not be entitled to rely upon in any manner whatsoever.

1. Concession Agreement

The Concessionaire and the State have entered on August 8, 2011 into a concession agreement for a build, operate and transfer (BOT) project of a seawater desalination facility (the “**Facility**”) in the northern industrial area of Ashdod, Israel, with production capabilities of 100 million M³/year.

Under the Concession Agreement, the Concessionaire is required, *inter alia*, to produce and deliver certain quantities of desalinated water, at a certain guaranteed quality, all as described in the Concession Agreement. Failure to meet such requirements may trigger, *inter alia*, liquidated damages.

For performing its obligations under the Concession Agreement, the Concessionaire is entitled to consideration which is comprised of fixed and variable components. In general, the fixed component of the water price is payable to the Concessionaire for meeting the availability requirements under the Concession Agreement; and the variable component of the water price is payable in respect of each m³ actually delivered. The consideration is linked to various indices as detailed in the Concession Agreement.

The concession period under the terms of the Concession Agreement will expire on December 8, 2038.

2. Finance

2.1 The Concessionaire

For the purpose of financing the construction of the Project, the Concessionaire has entered on December 6, 2011 into a series of financing agreements with Bank Hapoalim B.M., as, *inter alia*, senior agent, arranger and senior lender, Poalim Trust Services Ltd. as security agent, and with other financial institutions as senior lenders. Bank Hapoalim B.M. has entered on December 6, 2011 into a financing agreement with the European Investment Bank.

The credit has been extended to the Concessionaire through certain multi-currency senior facilities (in NIS and in Euros).

As of December 31, 2018, and without derogating from the provisions of the financing agreements, the principal outstanding senior debt of the Concessionaire under the terms of the financing agreements is approximately NIS 1,100,000,000.

2.2 The Operator

For the purpose of financing its operations, the Operator entered into a series of financing arrangements with Bank Mizrahi Tefahot Ltd.

As of December 31, 2018, and without derogating from the provisions of the relevant financing agreements, the principal outstanding senior debt of the Operator under the terms of the financing agreements is approximately NIS 30,500,000. It is expected that within the context of the consummation of the sale under the tender process, such senior debt will be repaid or otherwise discharged by the Seller (or any Related Entity thereof) prior to, or upon, the consummation of the sale under the tender process.

2.3 Subordinated Loans

In addition to the above, both the Concessionaire and the Operator received subordinated shareholder loans from the Seller. It is expected that within the context of the consummation of the sale under the tender process, such subordinated loans are expected to be sold to the Winning Bidder as part of the tender process (or converted into equity prior to such sale).

2.4 Securities

The Concessionaire has created securities over all of its rights and assets for the benefit of the Senior Lenders.

The Operator has created securities over its rights and assets for the benefit of Bank Mizrahi Tefahot Ltd. It is expected that such securities will be removed prior to, or upon, the consummation of the sale under the tender process.

In addition, within the context of the financing of the Project, the Seller has provided certain securities and entered into certain undertakings and obligations, mainly towards the Senior Lenders and the State. It is expected that within the context of the consummation of the sale under the tender process, the Winning Bidder will be required to replace and / or assume such securities, undertakings and obligations and release the Seller from the same.

3. EPC Contract

For the purpose of designing and constructing the Facility, the Concessionaire, following a public tender, entered into a fixed-price, turn-key engineering, procurement and construction contract with I.V.M Minrav Sadyt (which is a registered partnership comprising of Minrav Engineering and Building Ltd. and Sociedad Anonima Depuracion y Tratamientos (SADYT)) (the “**EPC Contractor**” and **EPC Contract**” respectively).

Under the terms of the EPC Contract, the EPC Contractor has undertaken, *inter alia*, to construct the Facility on a back-to-back basis with the obligations of the Concessionaire under the terms of the Concession Agreement, subject to the terms thereof. Construction of the Facility should have been completed in two phases, as follows: phase 1 (relating to production capabilities of 50,000,000 m³ / year) – by September 15, 2013; and phase 2 (relating to entire production capabilities) – by December 15, 2013.

However, construction of the Facility by the EPC Contractor has suffered material delays and substantial failures and deficiencies.

Notwithstanding the aforesaid, on December 26, 2015, the State has issued the Concessionaire with a 'temporary (and conditional) permit to operate' the Facility, allowing the Concessionaire to produce and sell desalinated water under the terms of the Concession Agreement. The Facility has not yet received a final 'permit to operate' and until the date hereof, continues to operate under the terms of such temporary (and conditional) permit, which is renewed by the State from time to time.

On May 24, 2017, the EPC Contract was terminated by the Concessionaire due, *inter alia*, to the EPC Contractor's material breaches of the EPC Contract.

4. O&M Contract

The Concessionaire and the Operator have entered into a fixed-price Operation and Maintenance Contract, dated December 6, 2011, for the operation and maintenance of the Facility ("**O&M Contract**").

Under the terms of the O&M Contract, the Operator has undertaken to operate and maintain the Facility, for the concession period, on a back-to-back basis with the operation and maintenance obligations of the Concessionaire under the terms of the Concession Agreement, subject to the terms thereof.

5. Litigation

5.1 Litigation involving the EPC Contractor

The Concessionaire and the EPC Contractor have conducted arbitral proceedings regarding the Project before a panel of three arbitrators. The main subject of the arbitration involved mutual claims between the Concessionaire and the EPC Contractor.

In very broad terms, the Concessionaire claims against the EPC Contractor focused on the EPC Contractor's liability for the delays in completing the construction of the Facility, defects and deficiencies and associated damages; inversely, the EPC Contractor's claims against the Concessionaire focused on the Concessionaire's alleged liability for the delays in completing the construction of the Facility, breach of representations and additional works.

Recently, the Concessionaire and the EPC Contractor have entered into a settlement agreement with respect to the disputes between them regarding the EPC Contract and the Project, in accordance with its terms. The settlement agreement has been approved by the arbitrators and consequently the arbitral proceedings have been or will be dismissed.

Within the context of the settlement agreement, the EPC Contractor has warranted that neither it, nor any of its members, shall participate in the Pre-Qualification Process or the tender process.

5.2 Litigation involving the State

The Concessionaire and the State have conducted arbitral proceedings regarding the Project before an arbitrator (the honorable Judge (retired) Theodor Or).

The subject of the arbitration was claims by the State against the Concessionaire relating mainly to the Concessionaire's alleged liability to pay the State liquidated damages for delays in completing the Facility, and claims by the Concessionaire against the State, concerning mainly the liability of the State for amounts claimed by the EPC Contractor from the Concessionaire within the context of the arbitral proceedings conducted between them (should such amounts be determined within the framework thereof) and for declaratory decision for the State's lack of entitlement for delay liquidated damages.

Recently, the Concessionaire, the State and the Senior Lenders have reached an arrangement allowing the initiation of the tender process and the terms thereof (including certain concessions that will be granted to the Winning Bidder which shall be set out in the Tender Documents). Within the context of this arrangement, the Concessionaire and the State have reached a settlement with respect to the aforesaid disputes, and consequently the arbitral proceedings between them will be dismissed.

6. The Next Steps

As explained in this Invitation, the tender process is divided into two phases, where this Pre-Qualification Process is intended to identify Eligible Participants, who will be invited to participate in the tender process and submit a competitive bid under the terms of the Tender Documents.

For this purpose, the Tender Committee will prepare a virtual data room (VDR) which will contain detailed information regarding material aspects of the Project. Subject to the terms of this Invitation and the Tender Documents, Eligible Participants will be granted with access to the data room, in order to allow them to independently examine, inspect and evaluate the Project and all aspects related thereto. Additionally, Eligible Participants may be provided an opportunity to examine the Project, on such dates and terms to be specified at the next phase, even prior to the publication of the Tender Documents.

In addition, as the EPC Contractor has failed to complete the construction of the Project under the terms of the EPC Contract, and the Project contains substantial deficiencies which do not allow the proper operation and maintenance of the Project (including deficiencies in the pumping, UF pre-treatment, RO and post-treatment and control systems), Eligible Participants will be required to independently examine, inspect and evaluate the Project and all aspects related thereto and to attach to their bids in the tender process a detailed rectification plan to be implemented, meeting specific technical and operational requirements that will be identified during the tender process. It is expected that within the context of the consummation of the sale under the tender process, the Concessionaire will have certain cash resources, including cash reserves and an additional senior debt facility (on competitive terms), for the purpose of implementing the rectification plan.

APPENDIX C

LIST OF ADVISORS

The following are the advisors to the Tender Committee:

M-Faculty, Business Advisors;

Giza Signer Even, Financial Advisors;

Herzog, Fox & Neeman, Law Firm, Legal Advisers;

GKH, Law Firm, Legal Advisers.

The following are the advisors to the State:

Adan Technical and Economic Services Ltd., Technical Advisors

Aviv Management Engineering and Information Systems Ltd.

Mr. Ziv Sade, Financial and Economic Advisor

Lipa Meir & Co., Law Firm, Legal Advisors

The following are the advisors to the Senior Lenders:

Ove Arup & Partners International Limited, Technical Advisors;

NT Water Pros LTD - Nicos X.Tsiourtis, Technical Advisors;

Battus Associates Limited - philip sharp, Technical Advisors;

Roie Friedman Risk Management Ltd, Insurance Advisors;

M.N.S Consulting Ltd., Financial Advisors;

Meitar Liquornik Geva Leshem Tal, Legal Advisors