

APPENDIX B1

EXECUTION OF PROJECT AGREEMENTS

1. **Project Agreements**

The Concessionaire shall enter into directly or through any Major Subcontractor, all such agreements as are necessary for the proper and timely execution of the Project in accordance with the terms of this Concession Agreement, including the agreements specifically listed herein, such as: Financing Agreements, Shareholders and Related Entities Agreements, EPC Contract; including, the EPC Contractor's Tunneling Works Sub-Contract, Transportation Infrastructure Works Contract, the Operation and Maintenance Contract, Management Contract and tolling system supply contract.

In addition, the Concessionaire shall ensure that the EPC Contractor and the O&M Contractor have entered into all engagements required for the purpose of execution of the Project in accordance with the provisions of the Contract Documents including *inter alia* Tender Forms H1 and H2.

2. **Schedule for the Execution of the Project Agreements**

All Project Agreements, and specifically all Project Agreements listed in Section 1 (*Project Agreements*) above, shall be approved by the State and signed by the Concessionaire and the parties thereto during the Development Phase, in accordance with the Detailed Schedule and the Detailed Financial Closing Schedule.

Any additional Project Agreements that have not been signed during the Development Phase or until Financial Closing and the Concessionaire wishes to enter into at a later stage during the Contract Period, shall require the prior written approval of the State, as set forth herein below.

Any and all Project Agreements shall be subject to the provisions of the Concession Agreement and this Appendix B1 (*Execution of Project Agreements*).

Notwithstanding the foregoing, following the Development Phase the provisions of this Appendix B1 (*Execution of Project Agreements*) shall only apply with respect to Project Agreements:

- (i) to be entered into by the Concessionaire and any third party;
- (ii) to be entered into by any Major Subcontractor and any other Major Subcontractor following the Development Phase;
- (iii) that are listed in Exhibit 10 (*Approved Project Agreements*) of the Concession Agreement.

3. **Submission of the Project Agreements and Amendments thereof for Approval**

3.1 The Concessionaire shall keep the State informed of progress and developments in the negotiation for the execution of all Project Agreements and any subsequent amendment or variations to any of the Project Agreements.

The Concessionaire shall submit for the approval of the State a copy of:

- 3.1.1 the final draft of each Project Agreement prior to the signature thereof;
 - 3.1.2 any amendment or modification to a Project Agreement subsequent to the signature of the Project Agreement (including, but not limited to, agreements for the Refinance of the Project, excluding a mere transfer or syndication pursuant to Section 9.4 (*Approved Parties to a Project Agreement*) below).
 - 3.1.3 Any change to the holding of either the Tunneling Expert and/or the Transportation Infrastructure Expert in the EPC Contractor, or the holdings in the O&M Company.
- 3.2 The Concessionaire shall submit such final drafts or amendments to Project Agreements as soon as such are available, but at least thirty (30) days prior to the anticipated signature thereof.
4. The Concessionaire shall provide the State with information and documentation including, when appropriate, interim drafts of Project Agreements and material amendments thereto in order to facilitate the approval procedure set forth herein.
5. The State may request, and the Concessionaire shall provide the State within fourteen (14) days following receipt of the request, any additional information which the State considers necessary for its evaluation of the draft of a Project Agreement or amendment to a Project Agreement, including with respect to the other side of the Project Agreement.

6. The Identity of a Party to a Project Agreement

Without derogating from any of the Concessionaire's obligations pursuant to this Concession Agreement or from the State's rights pursuant to this Concession Agreement, any changes in the identity of an approved party to a Project Agreement shall be subject to the prior approval of the State in accordance with the provisions of Subsection 9 (*Approval of the Project Agreements*) below.

7. General Principles of a Project Agreement

In the event that the general principles for the execution of a Project Agreement or a draft of a Project Agreement have been approved by the Tender Committee pursuant to the Tender Process, the final draft of the Project Agreement submitted by the Concessionaire for the approval of the State pursuant to the provisions of this Appendix B1 (*Execution of Project Agreements*), shall substantially conform to the general principles or the draft Project Agreement as presented during the Tender Process including within the framework of Tender Form H1 (*The Principles for Engagement with the EPC Contractor, Tunneling Expert and the Transportation Infrastructure Expert*) and Tender Form H2 (*The Principles for Engagement with the O&M Contractor*) submitted by the Concessionaire as part of the Winning Bid, as approved by the Tender Committee.

8. Without derogating from any of the Concessionaire's obligations pursuant to this Concession Agreement or from the State's rights pursuant to this Concession Agreement, any material changes in the general principles of a draft Project Agreement or a Project Agreement shall be subject to the prior approval of the State

in accordance with the provisions of Section 9 (*Approval of the Project Agreements*).

9. Approval of the Project Agreements.

9.1 Within thirty (30) days following submission of a final draft of a Project Agreement or an amendment to a Project Agreement by the Concessionaire (including a request pursuant to Section 6 (*The Identity of a Party to a Project Agreement*) above and Section 7 (*General Principles of a Project Agreement*) above), the State shall review such, and may:

9.1.1 Comment on the final draft of the Project Agreement or the amendment to a Project Agreement. Should the State comment on the final draft of a Project Agreement or the amendment to a Project Agreement, the comment shall be discussed between the Parties and the Concessionaire shall subsequently furnish the State with a revised draft of a Project Agreement or the amendment to a Project Agreement in response to the State's comments. The provisions of this Section 9 (*Approval of the Project Agreements*) shall apply with respect to each item resubmitted.

9.1.2 Approve the final draft of a Project Agreement or the amendment to a Project Agreement.

9.2 Grounds for Disapproval of a Final Draft or an Amendment to a Project Agreement

9.2.1 The State, at its sole discretion, may reject any final draft of a Project Agreement or an amendment to a Project Agreement;

9.2.2 Grounds related to the following, shall not be considered to be unreasonable grounds:

9.2.2.1 the financial ability of the party to a Project Agreement (for the purposes of this Appendix B1 (*Execution of Project Agreements*), "Participant");

9.2.2.2 the technical capabilities and professional skills and abilities of the Participant;

9.2.2.3 the effect of the Project Agreement upon the execution of the Project in accordance with the provisions of this Concession Agreement;

9.2.2.4 the fact the Participant is suspected of being involved in a criminal activity;

9.2.2.5 the fact the Participant is a resident of a country which does not have diplomatic relations with the State or conducts a substantial part of its business in such country; and

9.2.2.6 the terms and conditions of the Project Agreement.

9.3 Without derogating from the generality of the foregoing, as of the Signature Date and until the end of the first three (3) years of the Commercial Operation Phase of the Project, the State, at its sole discretion, may object to any change in the identity of a party to a Project Agreement.

9.4 Permitted Transfer and Assignment

9.4.1 Notwithstanding the provisions of Section 3 (*Submission of the Project Agreements and Amendments thereof for Approval*), in the event that the following conditions are met, a transfer by a Senior Debt Finance Provider of its rights and obligations pursuant to the Senior Debt Financing Agreements, shall be notified to the Implementing Authority at least thirty (30) days prior to the designated date of transfer, but shall not be subject to the prior approval of the State in its capacity as a party to this Concession Agreement:

- (i) the transferred amount shall be of at least 10,000,000 NIS;
- (ii) the transferee is a Financial institution;
- (iii) during the Availability Period (as such term is defined under the Senior Debt Financing Agreements) - the transferee's long term unsecured debt is rated A-international rating or -AA Israeli rating, or that the transferee is listed in a list to be approved by the State, at the request of the Concessionaire, in advance for the duration of the Availability Period and provided that its long term unsecured debt rating has not fallen below its rating at the date of approval of the list;
- (iv) the transferee is not a citizen of a state with whom the State does not have diplomatic relations, and is not incorporated in such state;
- (v) the Senior Debt Finance Provider has made available to the Concessionaire all amounts which it was obligated to make available to the Concessionaire pursuant to the Financing Agreement(s) prior to the designated date of transfer;
- (vi) the transfer is permitted under the Senior Debt Financing Agreements;
- (vii) the transfer does not entail any further amendments or changes to the Senior Debt Financing Agreements, and does not constitute Refinance (excluding a mere transfer or syndication pursuant to this Section 9.4 (*Permitted Transfer and Assignment*));

9.4.2 In the event of a transfer by the Agent (as such term is defined under the Senior Debt Financing Agreements) - subject to the approval of the State, it may be replaced by an Agent having an experience, during the three (3) years preceding the purported replacement, as an agent for long term senior debt financing agreements of BOT/PFI infrastructure projects of a similar scope to this Project.

9.4.3 Notwithstanding the provisions of Section 3 (*Submission of the Project Agreements and Amendments thereof for Approval*), in the event that the following conditions are met, a transfer by a Senior Debt Finance Provider of its rights and obligations pursuant to the Senior Debt Financing Agreements to any Pension Fund or other persons listed in Sections (2)-(4) of the 1st Schedule to the Securities Law 1968 (for the purpose of Section 15 (a) (b) (1) thereof) (each a "**Transferee**"), shall be notified to the State at least thirty (30) days prior to the designated date of transfer, but shall not be subject to the prior approval of the Implementing Authority:

- (i) the Transferee is licensed to practice business in Israel and is registered in Israel;
- (ii) the assumption by the Transferee of such rights, benefits and obligations is not in violation of any law or regulation applicable to the Transferee;
- (iii) the Transferee is not a citizen of a state with whom the State does not have diplomatic relations, and is not incorporated in such state;
- (iv) the Senior Debt Finance Provider has made available to the Concessionaire all amounts which it was obligated to make available to the Concessionaire pursuant to the Financing Agreement(s) prior to the designated date of transfer;
- (v) the transfer is permitted under the Senior Debt Financing Agreements;
- (vi) the transfer does not entail any further amendment or change to the Senior Debt Financing Agreements, and does not constitute Refinance (excluding a mere transfer or syndication pursuant to this Section 9.4 (*Permitted Transfer and Assignment*));

9.5 The provisions of Section 9.4 (*Permitted Transfer and Assignment*) above shall not derogate, in any manner, from the provisions of Section 5 of the Toll Road Law.

The Implementing Authority shall make best efforts to assist the Concessionaire to obtain the approval of the Minister of Finance to any transfer or assignment of the Concessionaire's rights in accordance with the provision of Section 9.4 (*Permitted Transfer and Assignment*).

9.6 **Approved Project Agreements.**

The finally approved Project Agreements entered into until Financial Closing shall be attached to this Agreement as Exhibit 10 (*Approved Project Agreements*).

9.7 **Changes to Approved Project Agreements.**

The Concessionaire shall not change and shall ensure that no changes shall be made to any of the Project Agreements following the approval thereof by the State; and undertakes that any amendment purported to any of the Project Agreements shall be submitted for the approval of the State in accordance with the provisions of the Concession Agreement and this Appendix B1 (*Execution of Project Agreements*).

Without derogating from the generality of the above, the Refinance, any change to a repayment schedule, any implementation of an option pursuant to a Project Agreement, and the grant of any waiver pursuant to a Project Agreement which might have an adverse effect on the rights and/or obligations and/or the exposure of the State and/or the Implementing Authority pursuant to this Concession Agreement, shall be deemed a change to a Project Agreement.

10. Related Party Transactions

10.1 Without derogating from any other provision in the Concession Agreement with respect to the approval of Project Agreements by the State, including the provisions of this Appendix B1 (*Execution of Project Agreements*), the Concessionaire shall not enter into Related Parties Transactions unless such transactions are in the ordinary course of business of the Concessionaire and at reasonable commercial terms not inferior to at arm's length transactions.

10.2 Any Related Party Transaction the financial scope of which exceeds three million NIS (NIS 3,000,000) will be subject to the prior Approval of the State. Provisions giving effect to the foregoing limitation shall be included in each such Related Party Transaction agreement.

For the purposes of this sub-section 10.2, transactions the subject matter of which is similar shall be considered a single transaction.

10.3 Related Party Transactions the financial scope of which does not exceed three million NIS (NIS 3,000,000) shall be subject to the reporting obligations contained in Appendix J (*Reports and Meetings Obligations*).

10.4 Approval by the State granted pursuant to the provisions of this Appendix B1 (*Execution of Project Agreements*), will be deemed an Approval for the purposes of this Section 10 (*Related Party Transactions*), only in the event that the Concessionaire has clearly marked the draft agreement submitted to the State as a "Related Party Transaction".

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