

Memorandum of Understanding

Between:

The Israel Corporation LTD.

Millennium Tower
23 Aranha Street
P.O. Box 20456
Tel Aviv 61204 Israel
(Hereinafter: the “**IC**”)

-And-

The Palestinian National Authority

(Hereinafter: the “**PNA**”)

Whereas: An offer was made by the IC to the PNA (the “**Parties**”) for supply with Fuel, Electricity and/or Water (together the “**Commodities**,” each a “**Commodity**”) and to purchase Natural Gas from the PNA through BG Group PLC (hereinafter: “**BG**”); and

Whereas: The IC declares that it has the full capacity, ability and expertise to supply the PNA with these Commodities in quantities, quality and standards as deemed necessary by the PNA; and

Whereas: The IC declares that there does not exist any legal or other impediment which prevents or might prevent the IC from supplying the PNA with the said Commodities; and

Whereas: The IC declares and undertakes that it did not, does not at present,, and/or will not in the future, engage in any activity in Israeli Settlements in the West Bank, including East Jerusalem (as demarcated by the Armistice line of 1949, commonly referred to as the Green Line) relating to construction, manufacturing, cultivation, mining, extraction, quarrying, processing, supply, or provide any contribution, payment, or donation to an activity in a said settlements, or otherwise participate in any other activity in said settlements conducted directly and/or indirectly for IC by any other company and/or organization owned and/or controlled by and/or affiliated to the IC; and

Whereas: The IC declares that it did not and will not enter into any partnership in any project related to the Commodities with any

company, organization, or other entity that was involved and/or will be involved in any activity in the Israeli Settlements in the West Bank, including East Jerusalem, relating to construction, building, manufacturing, cultivation, mining, extraction, quarrying, processing and/or supply and/or contribution and/or donations and/or any other activity conducted directly and/or indirectly by that company and/or organization and/or or other and/or any other company and/or organization owned and/or controlled by the mentioned; and

Whereas: The PNA is interested to examine the option of purchasing the said Commodities and/or part of these Commodities from suppliers including, but not limited to, the IC and will consider issuing tenders in this regard; and

Whereas: The Parties agreed to engage in negotiations to examine the possibility of signing agreements in the future to regulate the supply of the said Commodities and/or part of these Commodities by the IC to the PNA in quantities, quality and standards as deemed necessary by the PNA ; and

Whereas: The PNA reserves the right to negotiate simultaneously any of the subject matters in this MOU with any other company and/or any other 3rd party and to issue tenders in this regard.

The Parties Agree, Declare and Announce as Follows

I. The Preamble:

The preamble to this MOU constitutes an integral part of it.

II. Submission of Initial Proposals:

1. Within 30 days after the signing of this MOU, the IC will submit to the PNA or to a corporation owned by the PNA three independent initial proposals (the “**Proposals**” and/or “**Proposal**”) for the supply of each one of the three Commodities to the PNA by the IC or by a company owned by the IC (the “**Company**”).
2. Each Proposal shall include a defined price quotation per unit of the respective Commodity, the formula for modifying the price, the possible alternative methods for the supply and the time line for the commencement of the supply under each option.

3. The Proposals shall also include details of all the companies and/or organizations and/or others involved in the Production and Issuance Facilities and the Supply Networks and/or Infrastructures related to the different Commodities.
4. Each of the Proposals shall be valid for examination by the PNA for at least 90 days from the date of its submission to the PNA..

III. Examining the Proposals:

1. The PNA will examine and assess each Proposal independently from the other Proposals.
2. The PNA may accept or reject any of the Proposals, or it may decide to accept any of the Proposals with modifications that it deems necessary (the “**PNA Proposal**”).
3. The IC may accept the PNA Proposal as submitted or reject the PNA Proposal, or submit an alternative proposal for the specific Commodity (hereinafter the “**IC Counter-Proposal**”) within 45 days after receiving the PNA Proposal.
4. The IC Counter-Proposal will be valid for examination by the PNA for at least 90 days from the date of submission to the PNA.
5. The PNA may request in writing to extend the validity of any of the Proposals and/or Counter-Proposals for another 60 days.
6. If the PNA does not reply to any of the Proposals and/or Counter-Proposals within the timelines set in Art II(4) and/or Art III(4) that Proposal and/or Counter-Proposal shall be deemed rejected by the PNA.
7. If the IC does not reply to the PNA Proposal within the timeline set in Art III(3) that proposal shall be deemed rejected by the IC.

IV. The Supply Agreements:

1. If a Party accepts any Proposal (including PNA Proposals and IC Counter-Proposals) made under Art. II and/or III, that Proposal will serve as a base for negotiating a separate and independent supply agreement between the Parties (hereinafter the “Supply Agreement” and the “**Parties to the Supply Agreement**”) for the supply of the relevant Commodity referred to in that Proposal.
2. An accepted Proposal shall not, under any circumstance constitute a binding agreement between the Parties and shall not grant any rights and/or render any obligations to any of the Parties and/or any other 3rd party. For further clarity,

only a Supply Agreement in accordance with art. IV(1) concerning a specific Commodity shall be considered binding.

3. Each Supply Agreement will cover all aspects related to the supply of the relevant Commodity including, inter alia:
 - a. Term of the Agreement;
 - b. Exclusivity provisions and conditions if relevant;
 - c. Quantities, types, quality and standards;
 - d. Supply infrastructure, means and methods;
 - e. Prices per unit of supply;
 - f. Formula for updating prices;
 - g. Methods of Payment and conditions;
 - h. Date for commencement of supply;
 - i. Remedies & Penalties;
 - j. Dispute Settlement.
4. Unless otherwise agreed the Supply Agreements will apply to both the West Bank and the Gaza Strip.

V. Ownership of the Production, Supply Facilities and Infrastructure:

1. The PNA will examine the option to invest in the Production, Issuance and Supply facilities and Infrastructure to be built and/or operated by the IC and/or the Company.
2. The IC will submit to the PNA together with the Proposals referred to in Art II a separate detailed proposal for the different investment options.

VI. Purchase of Natural Gas:

1. The Parties will set a meeting with BG to discuss the option of purchasing gas developed from the Palestinian gas fields within 60 days after the signing of this MOU.
2. If an agreement is reached with BG, the Parties will also discuss the options for sett-off mechanisms as part of the Payment methods in each Supply Agreement and subject to any agreement reached with BG.

VII. Dispute Settlement:

1. Any dispute arising from the implementation of this MOU will be resolved through consultations between the parties.
1. If the Parties fail to resolve the dispute within 90 days from the commencement of the consultation process the dispute will be resolved through binding and final arbitration.
2. Each side will appoint an arbitrator and the two arbitrators will appoint a 3rd arbitrator.

... to be continued ...

VIII. Contact Persons:

Each Party will send the other Party all contact information of the Person appointed by it to receive and/or send all Proposals and other documents and/or other information exchanged according to this MOU.