




## Israel Natural Gas Lines Company Ltd.

	April 20 <sup>th</sup> , 2016	Final	HM	SZ, DC	Tenders Committee
	Date	Description	Prepared	Checked	Approved
			<b>Terms of Payment for Intelligent Pigging of High Pressure Natural Gas Pipelines and the Price Tables</b>		
Company Representative : Mr. S. Zeira Mr. D. Carmeli			<b>INGL/TENDER/2016/07</b>		
			Document-No. 337178		Rev. 1.1

## **EXHIBIT A - Terms of Payment**

### **1. DEFINITION OF CONTRACT PRICE**

- For the performance of the SERVICES, the CONTRACTOR shall receive the following compensation: an amount based on the CONTRACT PRICE as set forth in the PRICE TABLES for the PROJECT/S (segment/s) specified in the ITB.
- Amounts resulting from any CHANGE ORDERS, if issued by the COMPANY.

**All prices and rates will be in Euro, as offered in the PRICE TABLES submitted by the CONTRACTOR.**

In an event of a CONTRACTOR registered in the United States or other country where the Euro currency is not the primary currency, and at the CONTRACTOR's request, subject to the COMPANY'S sole discretion, the payment maybe converted to the USD currency. In such event, the Euro / USD conversion rate applied shall be as published by the Central Bank of Israel at the Last Submission Date.

The CONTRACT PRICE and all prices stated in this document shall conform to the provisions concerning taxes, customs duties, penalties and fines set forth in these TERMS OF PAYMENT and to all provisions of the CONTRACT.

#### **1.1 INDEMNIFICATION AGAINST TAX CLAIMS**

The CONTRACTOR shall indemnify and hold harmless the COMPANY against any and all liabilities, claims, charges in relation to the foregoing, whether assessed or levied on profits, corporate income, dividends, salaries, benefits, personal income of its employees or otherwise charged in relation to operations performed under the CONTRACT and which may be assessed or levied on the CONTRACTOR, SUBCONTRACTORS, vendors, it/their affiliates and all their employees, by any and all authorities whatsoever, including all fines and penalties pertaining to any of the above, arising from or as a result of any act or omission with respect to any of the foregoing.

## **1.2 NON-REIMBURSABLE ITEMS**

Notwithstanding any provision to the contrary, the CONTRACTOR shall bear at its sole cost, risk and liability, and the COMPANY shall not reimburse, any customs duties, import taxes and any other charges whatsoever relating to the importation and exportation/re-exportation of any of CONTRACTOR'S EQUIPMENT, or any other goods, services and/or materials which the CONTRACTOR utilizes for the purposes of carrying out any or all of its obligations under the CONTRACT at any time throughout the CONTRACT PERIOD.

## **1.3 PENALTIES AND FINES**

The CONTRACTOR shall have full and sole responsibility for the payment of any and all penalties, fines, fees and the like, imposed on the CONTRACTOR, any of its SUBCONTRACTORS, affiliates, employees, vendors, and anyone else acting on behalf of the CONTRACTOR, for failure to make timely payment of any customs duties and similar charges or to comply with all applicable LAWS or import procedures.

## **2. COMPOSITION OF PRICES AND RATES**

### **2.1 LUMP SUM PRICES AND RATES**

The lump sum prices and rates set out in the PRICE TABLES or specified in any CHANGE ORDERS shall constitute full and final compensation, and shall be all-inclusive, regarding the SERVICES for which they are being paid and, unless expressly otherwise specified in, shall include, without limitation:



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- a) salaries, wages, allowances including overtime, bonuses, premiums and other incentive payments, paid holidays, sick leave payments, graduated pensions, contributions made to superannuating and pension funds or other retirement benefit schemes, contributions to compulsory and complementary medical and sickness schemes, welfare facilities, redundancy payment contributions, industrial training levy, personnel rotation expenses and shift premiums, all severance pay funds, continuing education funds, Manager's insurance and any other social and/or employment benefit program common in the State of Israel, and in general all burdens, contributions, insurance, taxes and payments, emoluments and expenses which the CONTRACTOR incurs and/or effects in respect of its employees or agents under applicable LAW or regulations including those under the statute or by agreement with national or local Trade Unions or under employment policies;
- b) overheads, profits, contingencies, depreciation, head office charges, managerial and administrative expenses, all preliminaries and contract administration, financing costs and bank expenses including bank guarantees and bid bond, transfer charges, all taxes and duties as set out in the CONTRACT, insurance premiums and deductibles, compliance with procedures, regulations and all applicable LAW, cleaning of SITE, all downtime and time lost (except as expressly allowed under the CONTRACT ) including breakdowns, repair time, waiting on weather or for approvals or authorizations, work disruptions even if due to other contractors on SITE and any and all direct or indirect costs and expenses due to subcontracting, including contingencies;
- c) Coordination and interface with the COMPANY, the ENGINEER, SUBCONTRACTORS, anyone else acting on behalf of the COMPANY, vendors, government and customs authorities, certifying entities, and any third parties;
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- d) offices and furnishings, secretarial and clerical services, material and equipment including for drafting, office supplies and consumables, lighting, electricity, heating and air conditioning, telephone, telex, telefax, mail and courier services, printing and reproduction costs, computer and computer-associated costs, office and lodging accommodation, sanitary facilities;
- e) compliance with safety requirements and regulations, supply of safety gear, protective clothing and other protection-related items, safety and first aid training, medical care and facilities, fire fighting equipment, emergency evacuations, all preventive measures;
- f) supply and handling all CONTRACTOR'S EQUIPMENT and all material, means, equipment including owned or hired tools and the like for the performance of the SERVICES;
- g) facilities and shops including for fabrication, storage and testing, shelters and the like;
- h) all consumables (air, gases, grease, oil, fuel, welding consumables and the like) and utilities (lighting, power, electricity, water);
- i) maintenance, caretaking, protection, safekeeping, security measures;
- j) inspections, samples and tests, certification, documentation, controls including quality control and verifications;
- k) all costs and expenses whatsoever related to the subcontracting and including all enquiries, supply, expediting and transport costs and expenses of whatsoever nature;
- l) receipt, handling, inspection, storage, protection, and installation of COMPANY EQUIPMENT;

- m) Everything necessary for the complete performance of the SERVICES in full compliance with the CONTRACT, except if specifically stated in the CONTRACT as being supplied by the COMPANY;
- n) labour, supervision, engineering, administrative and managerial personnel, MOBILISATION and DEMOBILISATION costs and expenses for personnel and equipment (the price for which is set forth in the PRICE TABLES), living and hotel accommodation costs, meals, travel time and expenses, fares and transportation, visa fees, authorizations, approvals, permits, licences (including for travel and missions), preparation of documents and compliance with requirements for importation and customs clearance, port charges and fees, unless expressly specified in the CONTRACT as being supplied by the COMPANY or on a reimbursable basis;
- o) all CONTRACTOR'S obligations, liabilities, duties, risks under the terms of the CONTRACT or as can be inferred therefrom, and/or relating to, or otherwise connected to performance of the SERVICES;

## 2.2 LINKAGE

- 2.2.1 Notwithstanding anything to the contrary in the CONTRACT, as of 24 months following the EFFECTIVE DATE and in the beginning of each year thereafter, the prices and rates set forth in the PRICE TABLES shall be linked to the HICP. Nevertheless, in an event a USD currency is applied for payment, subject to section 1 above, the USA CPI shall apply.

The base index applicable shall be the published index at the LAST SUBMISSION DATE, and the record index shall be the published index at the date of execution of the linkage.

The "HICP" / "USA CPI" shall refer to the monthly Harmonized Index of Consumer Prices, as published by the Europe Central Bank and Consumer Price Index as published by the United States Bureau of Labor Statistics (BLS), relevant to CONTRACT's country.

2.2.2 Except as specified in Section 2.2.1 above, the prices and rates set forth in the PRICE TABLES shall not be subject to upward or downward variation.

### 3. PAYMENTS

#### 3.1 PAYMENT MECHANISMS

The CONTRACTOR shall be entitled to receive payments pursuant to the CONTRACT according to the following payment mechanism, based upon the quote provided by the CONTRACTOR in its TENDER:

3.1.1 **Payment.** The CONTRACTOR shall receive the CONTRACT PRICE in six (6) installments as follows (collectively the "INSTALLMENTS", each an "INSTALLMENT"):

- (1) Up to 10% of the CONTRACT PRICE shall be paid as a down payment upon commencement of the SERVICES at the SITE and subject to receipt by the COMPANY from the CONTRACTOR of: (i) a PERFORMANCE GUARANTEE as set forth in the CONTRACT; and (ii) an ADVANCE PAYMENT GUARANTEE as set forth in the CONTRACT; and (iii) INSURANCE CERTIFICATE in accordance with Exhibit B of the CONTRACT.

- (2) 10% of the CONTRACT PRICE shall be paid upon successful MOBILIZATION certified by the COMPANY;
- (3) 70% of the CONTRACT PRICE shall be paid upon the approval of the Company of the FINAL REPORT:
- (4) 10% of the CONTRACT PRICE shall be paid upon the successful DEMO-BILIZATION certified by the COMPANY;

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where there is no dispute as to the sum of the final payment , and subject to successful DEMOBILIZATION certified by the COMPANY, such sum shall be paid forty five (45) days after the date of the written confirmation made by the COMPANY with respect to the pro-forma FINAL INVOICE, in accordance herein and with Clause 16 of the CONTRACT.

Receipt of any INSTALLMENT in this Section 3.1.1 shall be contingent upon the CONTRACTOR presentation to the COMPANY of the following documents:

A pro-forma invoice (excluding VAT) for each INSTALLMENT, in accordance with the provisions of Section 4 below. Such a pro-forma invoice(s) (excluding VAT) will be approved or disputed by the COMPANY within 15 (fifteen) days of the date of receipt thereof in accordance with Clause 16 of the Contract. Subject to and in accordance with Section 29.3 of the CONTRACT, following receipt of the COMPANY'S approval of the pro-forma invoice(s) (excluding VAT), and immediately upon the VAT obligation becoming due and payable pursuant to the LAW, the CONTRACTOR shall submit to the COMPANY, with respect to each INSTALLMENT, a valid tax invoice (Heshbonit Mas), representing the amount of VAT due for each such INSTALLMENT, together with all details and information required in order to substantiate the amount of VAT set forth in the invoice;

## **3.2 CONDITIONS PRECEDENT TO EFFECTING PAYMENTS**

- 3.2.1 The COMPANY shall deduct Israeli Income Tax at source, unless it receives an official exemption certificate from the Israeli Income Tax Authorities, set forth in Clause 29.2.3 of the CONTRACT.

3.2.2 The CONTRACTOR shall furnish to the COMPANY the documentation, and abide by the provisions set forth in Clause 29.2.4 of the CONTRACT, as a condition precedent to receiving any payments hereunder, all as further set forth in Clause 29.2.4 of the CONTRACT.

### **3.3 ADJUSTMENTS TO CONTRACT PRICE DUE TO CHANGE ORDERS**

Without derogating from the provisions of Section 4 below, the CONTRACTOR shall apply to each CHANGE ORDER the invoicing and payment conditions specified in the said CHANGE ORDER.

### **3.4 ADJUSTMENTS TO THE CONTRACT PRICE DUE TO PERFORMANCE OF THE SERVICES FOR MORE THAN ONE PIPELINE**

In the event that the CONTRACTOR shall provide the SERVICES for more than one PIPELINE, consequently, by using the same equipment and personnel already mobilized to Israel, and without De-mobilizing such equipment and personnel, then the COMPANY shall pay to the CONTRACTOR only for the actual Mobilization and Demobilization of such equipment and personnel, i.e, Mobilization & De-mobilization rates in the PRICE TABLES shall be paid only once and shall not be paid twice or more. Therefore, the relevant Mobilization & De-mobilization rates shall be deducted from the total relevant Lump Sum, respectively, according to the Bid prices, as approved by the COMPANY.

## **4. INVOICING**

### **4.1 INVOICE PROCEDURES.**

All invoices shall:

- a) State the CONTRACT reference number;
- b) Clearly indicate the part of the SERVICES for which payment is requested;
- c) Be supported by all documents required in order to enable the COMPANY to review the invoice;

- d) Clearly state the bank details and account number to which the payment(s) are to be made;
- e) Clearly indicate all credits for sums owed by the CONTRACTOR including reimbursements of the advance payments, if any;
- f) Be made out in the name of the CONTRACTOR.

The CONTRACTOR shall submit one (1) original invoice (clearly stamped original) and two (2) copies, including all necessary attachments to:

**Israel Natural Gas Lines Company Ltd.**

Atidim Tower (8), 32<sup>nd</sup> fl.

Kiryat Atidim

Tel Aviv 6158101, p.o. box 58177

Israel

Att. VP Operation

Cc. Operational Department Manager

#### 4.2 DISPUTED INVOICES

If the COMPANY questions any invoice, it shall return the invoice in question to the CONTRACTOR specifying in writing the items to which COMPANY objects and the reasons for such objections and the CONTRACTOR shall resubmit such invoice in accordance with the instructions of the COMPANY.

### 5. LEADTIMES FOR PAYMENTS

The COMPANY shall pay undisputed invoices from the CONTRACTOR as follows:

#### 5.1 PRO FORMA INVOICES

Within forty five (45) days from the date of approval of the pro forma invoice, subject to the terms and conditions contained in the CONTRACT and to applicable laws.

## 5.2 TAX INVOICES

Not later than fourteen (14) days following the receipt of each valid tax invoice (Heshbonit Mas) as set forth in Article 3.1.1 (6) above, the COMPANY shall transfer to the CONTRACTOR, to such Israeli bank account as the CONTRACTOR shall specify on invoices to the COMPANY and subject to applicable laws, the full amount of the VAT payment set forth therein and duly evidenced.

The COMPANY shall give payment instructions with value and date and furnish the CONTRACTOR with a copy of such instructions.

## 6. SUMS DUE TO THE CONTRACTOR

Without derogating from the rights and remedies of the COMPANY pursuant to the CONTRACT, including, without limitation, the right of Set-Off set forth in Clause 25 thereof, the COMPANY shall have the right, at any time during the performance of the CONTRACT, and after notifying the CONTRACTOR of its intention to do so, to deduct from any sums due to the CONTRACTOR all and any sums due to COMPANY by the CONTRACTOR for whatsoever reason, including:

- i) Payments incorrectly made to the CONTRACTOR;
- ii) Materials sold or services furnished to the CONTRACTOR;
- iii) Additional COMPANY costs resulting from the CONTRACTOR'S failure to perform any part of the SERVICES in accordance with the provisions of the CONTRACT related to suspension, cancellation and termination due to the contractor's DEFAULT;
- iv) Claims and/or proceedings of third parties against the COMPANY in relation to the CONTRACTOR'S performance of the CONTRACT and resulting in payment or commitment to pay by the COMPANY pursuant to a court order or applicable laws (unless the CONTRACTOR'S liability has been expressly excluded under the CONTRACT);

- v) Any amounts deemed necessary to indemnify and/or hold harmless the COMPANY against any lien created in connection with the CONTRACTOR'S performance of the SERVICES (unless the CONTRACTOR immediately shows appropriate evidence proving that such lien is not valid);

Should sums owed by the CONTRACTOR exceed the amount of sums owed by the COMPANY, the CONTRACTOR shall immediately pay the difference to the COMPANY.

Not for Submission

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**Exhibit B - PRICE TABLES**

[CONTRACTOR'S BID as approved by the COMPANY  
to be Included upon awarding the CONTRACT]

Not for Submission

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