



**Petroleum & Energy Infrastructures Ltd.**  
**Oil Products Pipeline Ltd.**

*Purchasing & Contracts division*

**October 30, 2016**

To whom it may concern,

**Re: TENDER FOR THE RECEIPT OF SERVICES**  
**FOR THE STORAGE OF PRODUCTS 16/240**

Petroleum & Energy Infrastructure Ltd. ("PEI") wishes to offer capacity of two segregated tanks of 53K cubic meters each, for the storage of products as stated below and in Appendix A (collectively, the "Tender").

**PLEASE NOTE THAT BY SUBMITTING A BID, THE BIDDER AGREES TO ALL THE TERMS AND CONDITIONS OF THE TENDER AS SET FORTH HEREUNDER.**

**1. GENERAL INFORMATION**

- 1.1. PEI is a company fully owned by the government of Israel that provides infrastructure services including storage and transportation of distillates and other refined products.
- 1.2. Under this Tender, PEI wishes to provide storage services for certain products, as further set forth in Section 2.1 below (the "Products"), in accordance with the terms and conditions of this Tender and the Products Storage Services Agreement and its appendices set forth in Appendix A (the "Agreement").
- 1.3. The storage offered under this Tender is segregated storage, whereby two segregated tanks of 53K cubic meters each located in PEI's facility at Ashkelon South (near Ashkelon Port) (the "Tank") may be made available; Respectively, PEI may elect one or two winning bidders, all under the terms and conditions hereof.
- 1.4. PEI may, at its absolute discretion, make additional units of storage capacity available in excess of the capacity stated in Section 1.3 above. Please refer to Section 2.9 below as to the circumstances and method under which PEI may award such additional units.
- 1.5. As a precondition for participating in the Tender:
  - 1.5.1. Israeli Bidders must hold a valid certificate in accordance with the Law of Transactions of Public Bodies, 1976.
  - 1.5.2. Israeli Bidders must hold a valid "Fuel Manufacturer" License, issued by the Israeli Customs and Excise Department.



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**2. TERMS OF BIDDING: PRODUCT; STORAGE REQUIREMENTS; STORAGE FEES**

This Tender contemplates the storage of the Products listed in Appendix B (“**Approved Products List**”), meeting the specifications for petroleum products published by the Standards Institution of Israel (the “**Israeli Standards**”). If a participant in this Tender wishes to store a product that does not appear on the Approved Products List, it must submit in writing to PEI, a detailed analysis of such product, no later than two (2) working days prior to the deadline for the submission of bids and PEI will notify the participant of its decision whether such product is eligible for storage or not, such decision made in its sole discretion. In order to protect the participants' confidentiality interests, such notification will not be made public but will be filed as part of the Tender Documents, and participants will be granted access thereto following the selection of the winning bidder, in accordance with the provisions of Section 5.3 herein.

*Bidders please note that additional terms and conditions may apply to products that do not conform to Israeli Standards and products subsequently added. Additional conditions may be in respect of handling loss (see section 4.3 of the Agreement), minimum operational quantity (see section 4.5 of the Agreement), and/or any other condition arising from PEI's operational requirements. PEI will notify relevant bidders as soon as is reasonably practicable after the submission of bids of any such additional conditions and bidders will have the opportunity to withdraw their bids.*

- 2.1. Each bidder must enter in its bid a description of the product(s) it wishes to store, as it appears on the Approved Products List, indicating whether the product conforms to Israeli Standards.



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- 2.2. All bids are made on a "take or pay" basis, such that the "**Monthly Storage Fee**" and the "**Minimum Monthly Operational Transfer Fee**", set forth in Section 2.3 herein and in the Agreement is payable regardless of whether Products are actually stored or any operational transfer fees are actually due at any given time during the storage period by the winning bidder. For the matter of this Tender, the term "**Monthly Operational Transfer Fees**" shall consist **only** of the following fees, during one month's period: (1) Fixed transfer cost, in consideration of transfer of the Product to or from the Tank(s), (2) Variable transfer cost, in consideration of transfer of the Product to or from the Tank(s), and (3) Handling loss fees related to transfer fees (no relation to *handling loss* stated in section 4.3 of the Agreement ), all as more fully detailed in the Agreement. The Monthly Operational Transfer Fees shall not include, without limitation, fees payable in connection with charging or discharging the Product to or from a vessel and other operational fees payable in accordance with paragraph 1.3 of the Agreement (e.g., discharge/charge fees charged by the Eilat Ashkelon Pipeline Company Limited).
- 2.3. The bid must specify the bidder's proposed storage fee per tank per month, before VAT (the "**Price Per Tank**") and the bidder's proposed Minimum Monthly Operational Transfer Fees. The bidder's proposed Minimum Monthly Operational Transfer Fee must be quoted in increments of USD 10,000 (or 40,000 NIS) (For example: USD 50,000 (or 200,000 NIS), USD 60,000 (or 240,000 NIS), USD 70,000 (or 280,000 NIS), etc.).

It is hereby clarified that the Minimum Monthly Operational Transfer Fee constitutes a minimum monthly payment, calculated quarterly, to be paid by the winning bidder in respect of the fees defined therein, yet the actual Monthly Operational Transfer Fees payable shall be the higher of the Minimum Monthly Operational Transfer Fee and the actual Monthly Operational Transfer Fee due for such Product transfers performed during one month by the winning bidder, all as set forth in the Agreement. As aforesaid, other operational costs such as charging/discharging fees shall be payable separately under the same invoice.



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- 2.4. Bidders may submit their proposed Price Per Tank and Minimum Monthly Operational Transfer Fee in either US Dollars or NIS. For the purpose of comparing bids, all bids submitted in NIS will be converted to US Dollars using the representative exchange rate published by the Bank of Israel on the eve of the submission date for bids under this Tender as set forth in Section 7.2 below. Note however the Monthly Storage Fee and Minimum Monthly Operational Transfer Fee actually payable by the winning bidder under the Agreement, shall be in the currency selected by the winning bidder.
- 2.5. For the purpose of selecting the winning bid(s), PEI shall compare each eligible bid's "**Weighted Bid Value**", calculated as the sum of (a) the proposed Price Per Tank and (b) the proposed Minimum Monthly Operational Transfer Fee. In all cases, selection of a bidder or bidders, as the case may be, shall be subject to operational, feasibility and practical limitations and restrictions that may apply. For the removal of doubt, however, the Weighted Bid Value shall be used only for the purpose of comparing bids and selecting a winning bid; the actual amounts payable by the winning bidder shall be as set forth in the Agreement.
- 2.6. PEI intends to set a minimum Weighted Bid Value before VAT (the "**Minimum Price**") prior to the Deadline for Submission of Bids. However, in order to increase the competition between bidders, the Minimum Price shall not be disclosed neither before nor after the submission of bids, and it shall be placed in a sealed envelope in PEI's tender box prior to the Deadline for Submission of Bids, as set forth in Section 7.2 below, prior to viewing any bids submitted.
- 2.7. PEI will not award the Tender to a bidder whose Weighted Bid Value is less than the Minimum Price; *provided, however*, that if no bidder offers the Minimum Price or a higher Weighted Bid Value, then PEI reserves the right to conduct negotiations with some or all of the bidders in order to improve their offers.
- 2.8. In the event that two or more different bidders submit identical Prices Per cubic meter which qualify under section 2.7, then PEI shall conduct a further stage or stages of bidding, in a procedure to be determined by PEI at its sole discretion. As part of such procedure, PEI reserves the right to disclose to the participants thereto, the Weighted Bid Value that was proposed by two or more bidders.



**Petroleum & Energy Infrastructures Ltd.**  
**Oil Products Pipeline Ltd.**

*Purchasing & Contracts division*

2.9. In the event that PEI makes additional units of storage capacity available as contemplated in section 1.4 above, PEI may, at its sole discretion, award any such additional unit to the next highest bidder that was unsuccessful in respect of the units offered pursuant to section 1.3.

**3. PERIOD OF STORAGE AND CONSIDERATION**

3.1. The period of storage shall commence on 01.01.2017 and terminate on 31.12.2017, (the "**Storage Period**"). Bidders shall have an option to extend the Storage Period (under the same terms and conditions) until 31.12.2018, by notifying PEI in advance in writing, as more fully detailed in the Agreement.

3.2. The actual amounts payable by the winning bidder(s) in respect of the Storage Fee and operational fees shall be as set forth in Sections 6 of the Agreement. In the case of operational fees, the winning bidder will be charged the actual tariff in force at the time of each operation.

3.3. VAT shall be charged to all payments under the Agreement, even if it has not been mentioned in particular.

**4. ADDITIONAL CONDITIONS**

4.1. The bidder must fully settle all prior payments, debts, etc. due to PEI by the bidder in respect of storage services provided by PEI under other tenders, prior to, or at the time of, submission of its bid. If a bidder fails to pay any amount owing in accordance with this section 4.1, then PEI's Tender Committee may, at its discretion, disqualify such bid.

4.2. PEI is not bound to choose any bid whatsoever. PEI shall have no legal, financial or other commitment towards any bidder.

4.3. PEI will not, under any circumstances, be liable for the payment of any sum in connection with the preparation and submission of bids for this Tender. All costs in connection therewith shall be borne by the bidder solely.



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- 4.4. It is clarified that the bidder may not modify, add to, omit from or make any reservations or conditions to the Tender Documents in any way. PEI emphasizes that in any case in which the bidder believes that any clarification is required with respect to the terms and conditions of the tender, it must timely contact PEI in accordance with the provisions of Section 6.1 herein.
- 4.5. If, the provisions of Section 4.4 above notwithstanding, the bidder modifies, adds to, omits from, makes any reservations or conditions to the Tender Documents in any way, the PEI may, at its sole discretion, act in accordance with any one of the following possibilities:
- 4.5.1. Ignore the reservation and require the bidder to meet its bid as if it was submitted without the reservation.
  - 4.5.2. Disqualify the bid, in whole or in part.
  - 4.5.3. Make any other decision that shall be required under the circumstances.

The bidder represents that it is aware that PEI may make any one of the foregoing decisions, both with respect to its bid and with respect to other bids, and it hereby waives any claim or demand against PEI in this regard.

**5. IRREVOCABLE BID; NOTIFICATION**

- 5.1. The bid shall remain valid and irrevocable until 21/11/2016.
- 5.2. PEI will notify each bidder regarding whether or not its bid has been selected as a winning bid, and will issue to the winning bidder the Agreement as modified by PEI to reflect the terms of the winning bid. The Agreement shall be effective immediately upon the winning bidder's receipt of PEI's notification.
- 5.3. A bidder whose bid has not been selected as a winning bid may, by written request to the Secretary of the Tenders Committee sent to the address set forth in Section 6 below, be granted access to the tender documents deemed relevant, pursuant to the Mandatory Tenders Regulations 5753-1993, subject to the payment of a non-refundable fee of NIS 1000.



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**Oil Products Pipeline Ltd.**

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**6. QUESTIONS**

- 6.1. Any questions regarding this Tender must be addressed to the Tender Committee, by fax (972-9-9528139), or by email to [liat@pei.co.il](mailto:liat@pei.co.il).

**7. SUBMISSION OF BIDS**

- 7.1. The bidder shall submit its bid by filling out the Bid Form, and either (1) placing it in a sealed envelope, and delivering it to the following address:

3 Hasadnaot St. Herzliya, 46728

P.O.B. 2121, Herzliya 46120 Israel; or

(2) by faxing the Bid Form to the following fax number: 972-9-9528139.

- 7.2. Submission date: All bids sent by sealed envelope must be received by PEI no later than on 14/11/2016 at 12:00 local time. All bids submitted by fax must be received by PEI only on 14/11/2016 between 10:30-12:00 local time.

Sincerely yours,

*Liat*

Liat Sharon

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**Appendix A**

**PRODUCTS STORAGE SERVICES AGREEMENT**



## STORAGE SERVICES AGREEMENT

THIS STORAGE SERVICES AGREEMENT (the "Agreement") is made as of the \_\_\_ day of \_\_\_\_\_, (the "Effective Date"), between Petroleum & Energy Infrastructure Ltd., a company incorporated under the laws of Israel ("PEI"), and \_\_\_\_\_, a company incorporated under the laws of \_\_\_\_\_ ("Client").

WHEREAS, PEI operates a system for storage of oil distillates, crude oil and other products in Israel, which includes storage tanks in its Ashkelon South terminal and other terminals; and

WHEREAS, Client wishes to store the products described in Schedule A (the "Products") within PEI's facilities, and PEI agrees to store such Products, subject to the terms and conditions set forth below;

NOW THEREFORE, the parties agree as follows:

### 1. INTERPRETATION

- 1.1 The preamble to this Agreement constitutes an integral part thereof.
- 1.2 This Agreement shall be read in conjunction with the bidding documents issued by PEI in connection with Tender no. 16/240 for the Receipt of Storage Services set forth in Schedule B (the "Tender") and with Client's bid documents thereunder as approved by PEI, and incorporates by reference the terms thereof.
- 1.3 The following terms shall have the meanings set forth below:

"Fair Market Value" means the fair market value of a Product, determined in accordance with paragraph 2 of Schedule A.

"Operational Transfer Fees" means the following fees: (1) Fixed transfer fee, in consideration of transfer of the Products to or from the Tank(s), (2) Variable transfer fee, in consideration of transfer of the Products to or from the Tank(s), and (3) Handling loss fees in consideration of transfer of the Products to or from the Tank

"Operational Fees" means all applicable fees and reductions in respect of operational activities, including without limitation discharge and off-take fees, representing the then applicable official fees as established by PEI or other relevant parties (such as EAPC), as may be amended from time to time, and excluding Operational Transfer Fees.

"Monthly Storage Fee" means the amount set forth in paragraph 7(a) of Schedule A, in respect of the Maximum Storage Capacity.

### 2. DESCRIPTION OF STORAGE SYSTEM

- 2.1 The storage tank in which the Products shall be stored (the "Storage Tank") is located at PEI's Ashkelon South terminal, which is linked to the Ashkelon terminal belonging to the Eilat Ashkelon Pipeline Company Limited ("EAPC") and to the main product pipeline belonging to Oil Pipeline Products Limited ("PPL"). Transfer of Client's Products to and from the Storage Tank is via the EAPC and/or PPL's pipelines.
- 2.2 EAPC is the operator of the Ashkelon port and of the pipelines system connected from the port to PEI's terminal. Client hereby warrants and represents that it has read and understood EAPC's marine regulations and restrictions as published on EAPC's website and updated from time to

time. Client shall be solely responsible for any payment related with the storage of Products under this Agreement, which EAPC may charge either the Client or PEI. Such payments shall be added to the monthly payments made by Client to PEI in accordance with this Agreement.

**3. STORAGE PERIOD**

- 3.1 The period for storage of Products shall commence and terminate on the dates set forth in Schedule A, and shall be renewable only if, and to the extent, explicitly provided for in Schedule A (and subject to the additional terms and conditions set forth therein) (the “**Storage Period**”).

**4. STORAGE TERMS**

- 4.1 Client acknowledges that PEI operates a large network, which is used by many other parties. Therefore, any request by Client regarding operational movements is subject to PEI’s other operational constraints and priorities and those of EAPC and/or PPL and/or other third parties, and to the network’s operational plan, as coordinated by PEI.
- 4.2 If, at any time, Client wishes to deliver Products to, or redeliver them from, the Storage Tank, Client shall notify PEI as soon as possible (and no later than 15 days in advance) of the date on which it wishes for such delivery or redelivery to occur. While PEI will make reasonable efforts to meet Client’s request, Client acknowledges and agrees that actual delivery or redelivery time may vary based upon the considerations set forth in Section 4.1 above.
- 4.3 In respect of any redelivery to Client of a quantity of Client’s Products, PEI shall redeliver the quantity of Products requested in volume (calculated as per Section 4.7 below), less the percentage set forth in Schedule A. Such percentage reduction shall be deemed to have been handling loss, irrespective of the quantity of the actual loss, and shall not give rise to any rights or claims by Client. For the removal of doubt, in the event that (i) the Storage Period is renewed pursuant to Section 3 herein or (ii) Client wins a subsequent tender which allows Client to keep its Products in the Storage Tank beyond the Storage Period, even if Client maintains its Products in PEI’s Storage Tank at all times without any redelivery to Client, Client shall be liable to PEI for a separate handling loss, in the amount set forth on Schedule A if the Storage Period is renewed pursuant to this Agreement, or for each Storage Period pursuant to a new storage agreement and/or extension thereof, in the amount determined by the applicable subsequent storage agreement. Notwithstanding the foregoing, in its sole discretion, PEI may waive a handling loss for a Client and charge only one handling loss, upon a written request by such Client, if Client deposits its products in the Storage Tank within the thirty (30) days immediately prior to the end of a Storage Period and Client’s Products remain in the Storage Tank during all or part of the immediately following Storage Period.
- 4.4 The maximum capacity which Client is entitled to use for storage of the Products is as set forth in the table under paragraph 1 of Schedule A (the “**Maximum Storage Capacity**”). For the removal of doubt, the monthly storage fees payable hereunder apply irrespective of whether Client uses the Maximum Storage Capacity at any time during the Storage Period (“take or pay”).
- 4.5 Client shall maintain, at all times during the Storage Period, such minimum quantity of Products as set forth in paragraph 6 of Schedule A (the “**Minimum Operational Quantity**”).
- 4.6 Client may request a temporary decrease of the Minimum Operational Quantity PEI may, at its sole discretion, grant Client’s request by notifying Client of its consent in writing. Such consent may be subject to restrictions and limitations, as determined by PEI. For the removal of doubt,

PEI's consent, if so granted, shall apply only to the specific request to which it relates and shall not entitle Client to any further decrease in Minimum Operational Quantity in the storage capacity.

#### 4.7 Measurement

- 4.7.1 All measurements of Products, whether such Products are delivered or redelivered to or from PEI and irrespective of their origin, shall be established by gauging the volume of Products in the Storage Tank at PEI's Ashkelon South terminal before and after each delivery. All volumes will be related to the standard temperature of 15°C according to ASTM Petroleum measurement tables. Measurements shall be taken by a surveyor, in accordance with this Section 4.7. In the event that no surveyor is appointed pursuant to the terms hereof, then the measurements shall be taken by PEI's own personnel and such measurements will be binding. For the removal of doubt, measurements taken otherwise than as provided herein, including any measurements taken at the vessel's tanks, shall not be considered binding or conclusive, and the measurements taken by the surveyor appointed hereunder or by PEI's personnel, as the case may be, shall prevail.
- 4.7.2 Client may appoint, at its own cost, a reputable surveyor, acceptable to PEI, for the purposes of taking measurements and samples of the Products (the "Surveyor"). Absent manifest error or fraud or any other factor that in PEI's reasonable opinion vitiates any of the Surveyor's findings, and provided that the Surveyor's measurements have been taken in accordance with this Section 4.7, such findings shall be final and binding upon the parties.
- 4.7.3 Client shall have the right to be present or represented during the measurement and sampling of the Products and PEI shall give Client notice of the time and place thereof.
- 4.7.4 PEI shall permit the Surveyor to take samples for the purposes of establishing the quality of Products delivered or redelivered. Client shall ensure that the Surveyor keeps the samples for a period of at least 75 days.
- 4.7.5 Client shall provide PEI with the Surveyor's findings, in the form of a certificate signed by the Surveyor, specifying the quantity, quality, volume, weight, and density of the Products delivered or redelivered by or to Client, as well as PEI's relevant tank number and the name and tank number of the vessel from which the delivery or redelivery was made. The certificate shall include in addition a time sheet specifying all operations that occurred on both sides (PEI's tanks and vessels and the originating/destination tanks or vessels), and the details of the quantity calculation.

#### 4.8 Additional Storage Terms

- 4.8.2 Client acknowledges and agrees that the Storage Tank contain residues of various product grades (conforming to the Israeli Standards) belonging to third parties. PEI will not be responsible for any deterioration of quality of the Products due to this fact.
- 4.8.3 Client may not store in the Storage Tank any materials other than its own Products that are described in Schedule A. Without restricting the generality of the foregoing, upon Client's request, PEI may, at its sole discretion, allow Client to store in the Storage Tank, products other than Products described in Schedule A, and/or products that it does not own, by notifying Client of its consent in writing. Such consent may be subject to

restrictions and limitations determined by PEI. For the removal of doubt, PEI's consent, if so granted, shall apply only to the specific request to which it relates and shall not entitle Client to store any products other than its Products which it owns in the future. Unless otherwise specified by PEI, all other terms and conditions of this Agreement shall apply to such other materials stored in the Storage Tank, *mutatis mutandis*.

- 4.8.5 Client represents and warrants that for the entire Storage Period (and any other time in which its Products remain in the Storage Tanks for any reason whatsoever) the Products meet the standards for petroleum products published by the Standards Institution of Israel (the "Israeli Standards").

## 5. END OF STORAGE PERIOD

- 5.1 As soon as possible and no later than 30 days before termination of the Storage Period, Client shall instruct PEI regarding redelivery of all Products to such exit destination as Client shall specify, such that the Storage Tank is cleared of Client's Products by the end of the Storage Period.
- 5.2 In the event that, for any reason, any portion of the products cleared from the Storage Tank, either during or at the end of the Storage Period, exceeds in quality or quantity, that which was stored by Client ("Excess Products"), then Client shall return that portion of products to PEI immediately. If Client cannot do so, despite its best efforts, then it shall owe PEI an amount equal to the Fair Market Value of the Excess Products on the day the Storage Tank was cleared. If PEI's conciliation of the figures at the end of the Storage Period indicates that the quantity of products cleared from the Storage Tank, both during and at the end of the Storage Period and in the aggregate, is less than that which was delivered by the Client in the aggregate (after taking into account all aggregate handling losses set forth in Section 4.3) ("Missing Products"), PEI shall either return the Missing Products or pay to Client an amount equal to the Fair Market Value of the Missing Products on the day the Storage Tank was cleared.
- 5.3 Without prejudice to any right or claim of PEI, if Client fails to comply with its obligations under Section 5.1, it shall pay monthly pre-agreed liquidated damages for every month during which Client's Products remain in the Storage Tank after the end of the Storage Period, until all Products are cleared from the tank. The monthly liquidated damages shall be equal to the Monthly Storage Fee multiplied by two (2) (subject to a 5% increase if the Storage Period is extended in accordance with this Agreement), pro-rated daily. PEI may at any time clear the Products from the tank or store them at a different location within PEI's storage facilities and Client will have no claim regarding this action and will bear responsibility for all costs incurred as a result, including costs incurred by PEI. Liquidated damages hereunder shall be without prejudice to PEI's entitlement to compensation for other damages, and the liquidated damages shall be considered partial payment on account of other damages that may be incurred. Notwithstanding the foregoing, at its sole discretion, PEI may waive the liquidated damages, if Client requests permission from PEI in writing to overstay the Storage Period by not more than 60 (sixty) days, and if PEI grants such request and provided always that Client's Products are removed from the Storage Tank on or before the agreed date, and provided that this Agreement shall remain in effect throughout the overstay period.
- 5.4 For the removal of doubt, all measurements referred to in this Section 5 shall be based upon volume measured in the Storage Tank and shall be taken in accordance with Section 4.7.

## 6. STORAGE FEES AND OPERATIONAL FEES

- 6.1 The consideration payable to PEI shall consist of the Monthly Storage Fee set forth in Schedule A, the Minimum Operational Transfer Fee as set forth therein and in accordance with the provisions herein, and any additional Operational Fees in respect of Client's activity. Payment of each of the foregoing shall be made in accordance with the following provisions of this Section 6.
- 6.2 During the Storage Period, unless specified otherwise in Schedule A:
- (a) the Monthly Storage Fee shall be paid in advance, no later than on the first day of every month during the Storage Period;
  - (b) the Operational Fees and the Fair Market Value of any Excess Products shall be paid no later than by the 15th day of the month following the month of the respective operation.
  - (c) the Operational Transfer Fees shall be paid no later than by the 15th day of the month following the month of the respective operation.
- 6.3 In addition, at the end of each calendar quarter during the Storage Period, PEI shall calculate the aggregate amounts paid by Client in respect of the Operational Transfer Fees, during the respective calendar quarter. In the event that the aggregate quarterly amount of Operational Transfer Fees paid by Client is lower than the Minimum Operational Transfer Fee amount set forth in paragraph 8 of Appendix A multiplied by 3, then Client shall pay such difference to PEI, within 10 days following receipt of PEI's invoice in respect of such payable amount. In the event that the aggregate quarterly amount of Operational Transfer Fees exceeds the Minimum Operational Transfer Fee amount set forth in paragraph 8 of Appendix A multiplied by 3, then such excessive payment shall account for Client's credit during the successive calendar quarter. A final calculation shall be made at the end of the Storage Period, and in case the aggregate quarterly amount of Operational Transfer Fees paid during the Storage Period is lower than the Minimum Operational Transfer Fee amount set forth in paragraph 8 of Appendix A multiplied by the number of Storage months, then the difference shall be payable by Client prior to the final redelivery, as provided in Section 6.4 below, but not vice-versa, that is: if the aggregate quarterly amount paid by Client during the Storage Period is higher than the Minimum Operational Transfer Fee amount set forth in paragraph 8 of Appendix A multiplied by the number of Storage months, then no refund will be payable. Client's obligation to pay to PEI the Minimum Operational Transfer Fee, shall be without prejudice to any additional Operational Fees that may have been incurred over the course of the Storage Period.
- 6.4 At the end of the Storage Period, unless specified otherwise in Schedule A:
- (a) for the final redelivery of the Products pursuant to Section 5.1, the Operational Fees and any amounts due to PEI in respect of the Operational Transfer Fees in accordance with Section 6.3 above, shall be paid no later than five days before the projected day of redelivery unless the Parties agree otherwise in writing based upon operational circumstances.
  - (b) the Fair Market Value of any Excess Products or Missing Products (if any), as well as the final Operational Fees incurred after the final redelivery has occurred shall be payable by Client or by PEI, as the case may be, within 14 days following receipt of the surveyor's certificate (per Section 5.2 hereof) by the party that owes the amount.
- 6.5 **Value Added Tax**
- (a) Value Added Tax ("VAT," currently at 17%) shall be charged to all payments by Client pursuant to this Agreement, whether stated in the relevant payment Section or not.
  - (b) PEI was granted a 0% rated V.A.T with respect to transactions with foreign clients importing oil products to Israel and selling such stored oil products to local customers, applicable under specific terms and conditions as set forth in the Tax Authorities certificate attached as Appendix B hereto (the "VAT Certificate"). In accordance, the Client may receive a refund on VAT paid to PEI under this Agreement, provided that Client fully meets the terms and

conditions for such 0% VAT provided in the VAT Certificate. Client understands and acknowledges that any VAT refund requested by it shall be subject to the VAT Certificate remaining in force and to its compliance with all the terms and conditions set forth therein.

- (c) PEI, at its sole consideration, shall be entitled to require, and Client shall be required to provide, a written certificate, signed by the Client's Adv. or CPA, confirming the Client's compliance with all the terms and conditions required for obtaining such 0% V.A.T. Notwithstanding the aforesaid, PEI shall be entitled to instruct the Client to directly approach the Israeli Tax Authorities for obtaining such VAT refund.

- 6.6 All amounts are payable against presentation of faxed or emailed invoice. For the purposes of all payments invoiced pursuant to this Section 6, if a day on which an amount is due is not a business day, then the amount shall be due and payable on the next business day.
- 6.7 Storage Payments must be either in New Israeli Shekels or in US Dollars, subject to the following: (a) if the New Israeli Shekel is selected in paragraph 7(a) of Schedule A as the currency for payment, then payments shall be in that currency only, and the amount payable shall be adjusted to reflect the increase, if any, in the monthly Consumer Price Index of Israel, measured from the date of commencement of the Storage Period, until the date of payment; (b) if the US Dollar is selected as the currency for payment, then payments shall be in that currency or in New Israel Shekels, provided that if a payment is made in New Israeli Shekels, then the amount payable shall be calculated based upon the sell exchange rate published by the First International Bank of Israel on the first day of the calendar month for which payment is being made. To the extent that there is a difference between the invoiced amount and the actual amount payable pursuant to this section 4.6, PEI shall calculate the aggregate difference at the end of each 6-month period of the Term, and shall invoice Client in respect of any additional amount to be paid, or any amount to be credited to Client.
- 6.8 *Applicable to Clients paying in US Dollars :* To the extent that Operational Fees and Operational Transfer Fees are charged by the relevant party in New Israeli Shekels, then the amount in respect thereof shall be converted into United States Dollars based upon the representative rate published by the Bank of Israel on the date on which the invoice is issued.
- 6.9 *Applicable to Clients paying in US Dollars :* In the event of Client's late payment, then Client shall compensate PEI for any loss to PEI resulting from the difference in exchange rates between the day on which payment was due and the day on which it is made, with reference to the "Sell" exchange rate for US Dollar banknotes converted into New Israeli Shekels as published by the First International Bank.
- 6.10 In addition, in the event of any delay in the payment of any of the amounts payable under any term of this Agreement, the amount owed shall bear interest at the rate set forth in paragraph 8 of Schedule A.
- 6.11 No setting-off of payments is permitted, unless mutually agreed by the parties in writing.

## **7. LIABILITY AND INSURANCE**

- 7.1 PEI shall maintain third party liability insurance to cover its legal liability for bodily injury and/or damage of property of third parties, including accidental pollution liability, caused by Products in its custody, effective for the entire period during which the Products are in PEI's custody. The Products shall be considered in PEI's custody from the time of their entry through

the connecting first flange of the manifold to PEI's facility in the Ashkelon South terminal or the first flange of PPL in Haifa or Ashdod (as the case may be), while in storage within PEI's facility or in PPL's pipeline system and until exit through the connecting last flange of the manifold of PEI's facility or PPL's pipeline (hereinafter in this Section 7: the "Insurance period").

- 7.2 The liabilities covered by PEI's insurance policy pursuant to Section 7.1 above shall be PEI's sole insurance obligation under this Agreement. PEI shall not be responsible for any liability in connection with the Products, including liability for loss of, or damage to, the Products, loss of profit, loss of market, loss of use, and consequential losses of any nature.
- 7.3 During the Insurance Period, Client undertakes to maintain at its own expense, uninterrupted comprehensive "All Risks" insurance covering the Products, at full value, including transfer costs, to PEI's satisfaction. Such insurance shall also cover, but shall not be limited to, loss or damage due to earthquake, fire, lightning, explosion, storm, tempest, flood and other natural perils, water damage, leakage, shortage, accidental and unexpected contamination, burglary and theft, malicious damage, riots, strikes, and terror.
- 7.4 Client and its insurer agree to waive their rights (including rights of subrogation), claims and/or actions against PEI and any subsidiary, affiliate, their respective directors, officers, employees and anyone on their behalf in the event of loss of or damage to the Products or to other property of the Client or under its responsibility or anyone on its behalf (including for the deductibles under any insurance policy) arising from any cause whatsoever, provided that such waiver will not be valid towards a natural person which caused a malicious damage.
- 7.5 As a preliminary condition to the exercise of Client's rights under this Agreement, Client shall submit a certificate signed by its insurer, confirming the insurance coverage and Insurance Period as stated above to PEI's reasonable satisfaction, and including (a) a statement that the policy provides insurance "All Risk" in respect of physical loss of or damage to crude oil stocks including crude oil products and any other property owned by Client and/or under its responsibility while in the care, custody or control of PEI (and any affiliate of PEI); (b) a statement that the insurance will not be reduced or canceled without prior written notification to be sent to PEI by registered mail 60 days in advance; and (c) a statement that Client bears sole responsibility for payment of premiums and deductibles.

## **8. FORCE MAJEURE**

- 8.1 If, because of an event of force majeure (as defined below), a party is prevented in whole or in part from carrying out any of its obligations under this Agreement, other than an obligation to make a payment, and within 72 (seventy-two) hours of the occurrence of such event, gives notice thereof to the other party, specifically describing the claimed force majeure and the anticipated duration thereof, then the party claiming force majeure will be excused from the performance of its obligations hereunder, to the extent and during the period that it is prevented from doing so by the force majeure event. For the removal of doubt, if one party makes a force majeure claim hereunder, this shall not preclude the other party from making a similar claim under similar or different grounds of force majeure. For the further avoidance of doubt, force majeure shall in no event excuse a party from making full and timely payments as and when payable pursuant to this Agreement.
- 8.2 For the purpose of this Section, the term "force majeure" includes acts of God, acts of enemy, war, whether declared or not, hostilities, invasions, insurrection, riots, disorders, civil unrest,

sabotage, blockades, embargoes, strikes, lockouts, fires, explosions, earthquakes, landslides, storm floods, or other severe weather conditions, and perils of the sea.

- 8.3 For the avoidance of doubt it is expressly clarified that the Client shall not be entitled to claim force majeure under this Section 8 with respect to any risk that it is obligated to insure against pursuant to Section 7.

## **9. TERM AND TERMINATION**

- 9.1 This Agreement shall take effect as of the Effective Date and shall terminate upon expiry of the Storage Period (as extended pursuant to the terms of this Agreement), unless it is terminated earlier by mutual written consent of the parties, or in accordance with the terms hereof.

- 9.2 Without derogating from any of its rights under applicable law and hereunder, PEI may terminate this Agreement in case of Client's material breach thereof, if such breach remains uncured for a period of ten (10) days. For the removal of doubt, Client's failure to make any payment as required hereunder shall be deemed to constitute a material breach. Early termination of this Agreement shall not release Client of its obligations herein, including payment of Monthly Storage Fees for the entire Storage Period and outstanding Operational Fees. The provisions of this Agreement which by their nature survive termination, shall continue in full force and effect subsequent to and notwithstanding termination of this Agreement, including without limitation Sections 5 (End of Storage Period), 6 (Fees) and 10 (Confidentiality).

## **10. CONFIDENTIALITY**

Neither party shall disclose the other party's "Confidential Information" (as defined below), without such other party's prior written consent. For the purposes hereof, "Confidential Information" means any non-public information disclosed by a party and, with respect to PEI, specifically includes information and documents (in tangible or intangible form) regarding PEI, its activities, facilities and processes. Each party shall protect the other party's Confidential Information with at least the same degree of protection it affords its own confidential data, and no less than with a reasonable degree of care. Each party shall restrict access to the Confidential Information strictly to its employees who need to know it for the purposes of this Agreement and who are bound to terms and conditions of confidentiality in respect of the Confidential Information which are no less restrictive than those of this Agreement. For the removal of doubt, disclosures of Confidential Information by PEI, to the extent mandated by law, shall not be construed as a breach of PEI's obligations hereunder.

## **11. MISCELLANEOUS**

- 11.1 Neither party shall, without the prior written consent of the other party, assign, transfer, mortgage, pledge or otherwise encumber this Agreement or any rights or obligations hereunder except, in the case of PEI, as may be required by law or government order.
- 11.2 This Agreement shall be governed by the laws of the State of Israel and the courts of the District of Tel Aviv shall have exclusive jurisdiction over all disputes arising hereunder.
- 11.3 Notices to either party may be sent by registered mail, fax or email to Client as per contact information set forth Schedule A and to PEI's contact information at:  
Petroleum & Energy Infrastructures Ltd.



3, Hasadnaot St. Herzliya Pituach  
P.O.B 2121 Herzliya, 46120, Israel  
Facsimile: 972-9-9528591  
Email: Commerce@pei.co.il

- 11.4 Except as provided in Section 1.2 above, (1) this Agreement contains the entire agreement and understanding between the parties as to the subject matter hereof, and supersedes all prior agreements, arrangements, commitments, representations, writings, and discussions between them; and (2) neither of the parties will be bound by any other prior obligations, conditions, warranties, or representations with respect to the subject matter of this Agreement.
- 11.5 The headings of the sections have been inserted as a matter of convenience for reference only, and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement.
- 11.6 This Agreement may be executed in two counterparts and either party may enter into this Agreement by executing a separate counterpart, each of which, taken together, shall constitute one and the same Agreement.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURE PAGE FOLLOWS THIS PAGE]

**STORAGE SERVICES AGREEMENT SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

.....  
**Petroleum Energy Infrastructure Ltd.**

.....  
\_\_\_\_\_  
**[CLIENT]**

**Schedule A**

Tender: 16/240

Client contact information:

Address: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

**1 Description of Stored Products**

<u>No. of tanks:</u> _____	<u>Maximum Storage Capacity in Each Tank:</u> 53,000 cbm	<u>Type of product to be stored:</u> _____
-------------------------------	--	---

**2 Determination of Fair Market Value**

For standard products: As determined by Platts quotes for MEAN CIF MED of the Product with no differential (i.e. no discount or premium).

For products not conforming with Israeli standard: will be determined by parties based on Platts quotes for MEAN CIF MED

**3 Storage Period**

Commencement of Storage Period: 01/01/2017

End of Storage Period: 31/12/2017

The Client will have an option to extend the storage period until the 31/12/2018 by notifying PEI in writing by the 30/09/2017. In such case, the Storage Fee on the extension period will increase by 5%, and all other terms and conditions of this Agreement shall apply, mutatis mutandis.

**4 Handling Loss**

[0.1]% (one tenths of one percent) of such quantity if the Products are redelivered to Client's vessel or transferred by in-tank transfer to a local receiver.

**5 Maximum Storage Capacity:**

(a) Maximum Storage Capacity, pursuant to Section 4.4 of the Agreement: [53,000 CBM] for each Tank

**6 Minimum Operational Quantity: 6,000 CBM per Tank**

**7 Storage Fees**

*Monthly Storage Fee:* USD/NIS [AMOUNT] per month (Monthly Storage Fee represents cost in respect of the Maximum Storage Capacity requested hereunder).

*[Note: this amount will be equal to the Price Per Tank set forth in the Bid Form of the Tender].*

8 **Minimum Operational Transfer Fee**

*Minimum Operational Fee:* USD/NIS [AMOUNT] per month

*Note: this amount will be equal to the Minimum Operational Transfer Fee set forth in the Bid Form of the Tender].*

9 **Interest Rate**

The interest rate shall be at the rate of (i) LIBOR + 3% per annum, pro-rated daily, if Client opts to pay in US Dollars, or (ii) the Prime Rate set by the Bank of Israel + 3%, if Client opts to pay in NIS.

**[Other Terms and Conditions]**

[Additional terms to be determined based upon bid terms, as approved by PEI]



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**Appendix B**  
**APPROVED PRODUCTS LIST**

**Products that meet the Israeli Standards:**

1. Gasoline-Si 90
2. Jet fuel-Def. Sta. 91-91
3. ULSD 10 ppm-Si 107 part 1
4. Heating Gasoil .1-Si 107 part 2



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**Appendix C**  
**BID FORM**

**BIDDER INFORMATION:**

Name: \_\_\_\_\_ Tel.: \_\_\_\_\_  
 Address: \_\_\_\_\_ Fax: \_\_\_\_\_  
 Contact person(s): \_\_\_\_\_ Email: \_\_\_\_\_

**STORAGE CAPACITY REQUESTED:**

Minimum tanks requested: \_\_\_\_\_  
 Maximum tanks requested: \_\_\_\_\_

**TYPE OF PRODUCT TO BE STORED:**

Tank no.1: \_\_\_\_\_

Tank no.2: \_\_\_\_\_

**PRICE:**

Monthly Storage Fee:

Price Per Tank per month (not including VAT):

For Tank no.1: \_\_\_\_\_

For Tank no.2: \_\_\_\_\_

Minimum Operational Fee

Minimum Operational Fee per month (not including VAT):

For Tank no.1: \_\_\_\_\_

For Tank no.2: \_\_\_\_\_

(Note: This must be quoted as increments of USD 10,000).

*All prices must be stated in US Dollars or NIS.*

For the removal of doubt, the Monthly Storage Fee and Minimum Monthly Operational Transfer Fee shall apply even if the winning bidder uses less than the maximum available storage capacity or performs transfers in and out of the Tank priced at less than the Minimum Monthly Operational Transfer Fee ("take or pay"). In addition, if the fees in respect of winning bidder's actual transferring in/out of the Tank during one month are higher than the Minimum Monthly Operational Transfer Fee, calculated quarterly (all as more fully detailed in the Agreement), then such actual higher fee shall apply.



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**BIDDER DECLARATION:**

I, the undersigned, \_\_\_\_\_ [*name of bidder's authorized signatory*], in my capacity as \_\_\_\_\_ [*title or position of authorized signatory*] of \_\_\_\_\_ [*name of bidder*] (the "**Bidder**"), do hereby declare as follows:

1. The Bidder is a corporation duly incorporated, validly existing, and in good standing under the laws of its jurisdiction of incorporation, and is authorized to submit this bid, enter into the Agreement and perform its obligation thereunder;
2. The Bidder has carefully read the **Tender for the Receipt of Services for the Storage of Products 16/240 (the "Tender")**; and
3. The Bidder undertakes to comply with all the terms and conditions of the Tender, the Products Storage Services Agreement and this Bid Form.

Bidder's Signature

Date:

\_\_\_\_\_  
By: \_\_\_\_\_

[*Bidder's authorized signatory*]

Title: \_\_\_\_\_