



# YIGAL ARNON & CO.

LAW FIRM

## Projects, Infrastructure & Energy Practice

Yigal Arnon & Co.'s Projects, Infrastructure & Energy practice offers clients assistance in areas ranging from infrastructure, electricity generation, energy, roads, railways, and waterworks to waste management projects on both BOT and other more traditional bases. The firm has extensive experience in drafting and negotiating multi-faceted international financing (debt and equity) agreement, consortium agreements, EPC, O&M, FIDIC and other subcontracts.

Yigal Arnon & Co. have been integrally involved with several high-profile public tenders in Israel involving various government branches and companies, acting in different projects for either the tender committee, financiers or the private sector bidders. The role as counsel to public tender committees has given us invaluable expertise and insight which we are able to leverage for our private sector clients. Our lawyers are skilled in preparing submissions, presenting the client's expertise and track record, and emphasizing the attributes of the client's bidding group to increase the chance of success. Our expertise in tender, corporate and tax law enables us to skillfully guide our clients through the often complicated process of joining forces with other parties, in compliance with the specific tender and in the best route possible from a corporate and tax perspective. This is of particular importance when foreign players are involved in what is often their first project into Israel.

Our strong reputation in business and legal circles has made us a natural choice for advising both Israeli government-owned entities seeking privatization and Israeli and foreign strategic and financial investors in the privatized entities. Our work in privatization covers a wide range of industries, including transportation, infrastructure, construction, energy, waste disposal and waterworks.

Yigal Arnon & Co. has been one of the early and key players involved in the blossoming offshore natural gas industry. Our work has centered on representation of some of the main financiers of these projects including some of the world's largest international banks. Our firm has been involved in the sale of several petroleum assets and also in large financing projects both at the project finance level but also pre and post project completion transactions. Our clients include both local and foreign oil and gas companies and also international banks.

Furthermore, our litigation department has been involved in many cases, both defending the winners of public tenders against legal challenges by disappointed bidders, and challenging the winner on behalf of bidders who have been wronged.

### Selected Representations

Selected project finance representations of recent years include:

- ✳ Representation of Barclays Bank Plc, as arranger, Bank Mizrahi Tefahot, as facility agent and a number of Israeli institutional lenders in a \$225 million credit facility to Alon D.A. Gas Explorations Ltd., a wholly owned subsidiary of Dor Gas Explorations Limited Partnership, which among other things will re-finance the credit facility entered into by Alon D.A. Gas Explorations Ltd. to finance the Tamar offshore natural gas project.
- ✳ Represented Israel Infrastructure Fund and Harel Group (the "Joint Venture") in their acquisition of a 3.5% stake of the Tamar gas field from Noble Energy Mediterranean Ltd., with an option to purchase an additional 1%. This transaction was innovative as it is the first transaction that was entered into following the adoption of the Natural Gas Framework in December 2015, and it is the first time that Israel pension funds are acquiring rights in a petroleum lease. Yigal Arnon & Co. represented the Joint Venture with respect to the financing of the acquisition, in the amount of \$185 million, which was provided by Harel to the Joint Venture. Such external financing was provided by way of a facility agreement which included comprehensive collateral instruments provided to Harel, by both the Joint Venture and its partners.



- \* Represents HSBC Bank and JP Morgan in their capacity as Mandated Lead Arrangers in a \$1.75 billion senior secured first lien term loan facility to Delek Drilling (Leviathan Financing) Ltd. and Avner Oil Exploration (Leviathan Financing) Ltd., in the largest project financing ever held in Israel for a project in the development stage. The project is to finance the respective shares of Delek Drilling LP and Avner Oil Exploration LP in developing the Leviathan gas field, a large natural gas field located off the coast of Israel. Discovered in June 2010 deep in the Levantine basin, a rich hydrocarbon area, it is one of the world's larger offshore gas finds of the past decade. This project holds significant implications for Israel's energy and gas industry due to its unique and precedential nature. The financing transaction initially commenced in 2014 but was put on hold from January 2015 until August 2016 on account of regulatory uncertainty, which was ultimately resolved in the adoption of the Natural Gas Framework by the Israeli government in December 2015. The involved a syndication of leading global banks together with Israeli banks and leading Israeli financial institutions.
- \* Represented JP Morgan, CitiGroup and HSBC as the lead underwriters of a private placement to Israeli and foreign institutional investors of senior secured notes in the aggregate amount of \$2 billion issued by Delek & Avner (Tamar Bond) Ltd., a private company jointly owned by the sponsors, Delek Drilling Limited Partnership and Avner Oil Exploration Limited Partnership (each partnership is publicly traded on the Tel Aviv Stock Exchange). The notes were secured through placement of a lien on certain assets of the sponsors including their respective rights in the Tamar lease which is a production lease for a natural gas reservoir located in the Mediterranean Sea off the coast of Israel. This offering is one of the largest ever done in Israel, and the largest ever debut USD project bond issuance to be rated investment grade. The offering was unique due to its size and complexity – it required various regulatory approvals, including from the Israeli Petroleum Commissioner, the Israeli Tax Authority and the Tel-Aviv Stock Exchange.
- \* Our firm continues to represent the Collateral Agent and Trustee on behalf of the bond holders and in 2017 was involved in amendments to the security package including with respect to (1) the recent merger between Delek Drilling and Avner Oil and (2) the recent bond offering of Tamar Petroleum Ltd. including the transfer of security to such new entity.
- \* Represented HSBC Bank and BNP Paribas, in their capacity as Mandated Lead Arrangers in a \$250 million senior secured first lien term loan facility to Leviathan Development (2016) Ltd. to finance the share of Ratio Oil Exploration (1992) LP in the development of the Leviathan project. The project is to develop the Leviathan gas field, a large natural gas field located off the coast of Israel. Discovered in June 2010 deep in the Levantine basin, a rich hydrocarbon area, it is one of the world's larger offshore gas finds of the past decade. This project holds significant implications for Israel's energy and gas industry. On July 6, 2018, Yigal Arnon & Co., represented the Mandated Lead Arrangers in a re-financing and extension of the original financing – to \$450 million. Several new lenders both Israeli and International joined the syndication as part of the re-financing and Yigal Arnon & Co. served as lead Israeli counsel to all new syndication lenders.
- \* Represents Israel Natural Gas Lines Ltd. in its first listing for trading on TASE of the Company's existing debentures (IPO) for NIS 1.2 billion. This will aid the finance of the construction, development and upgrading of the domestic natural gas transmission system. This IPO was extremely complex due to the fact that Israel Natural Gas Lines Ltd is a government owned corporation that is heavily regulated.
- \* Representation of Shapir in its acquisition of 22% of the holding in Givot Olam Oil Ltd., as well as an additional option to purchase additional shares in the company - of up to 50.1%. Shapir has acquired, in two stages, a total holding in Givot Olam Oil in an amount equal to 22% for a total price of 3.3 million USD. Shapir has further received an option to purchase an additional amount of approximately 13.09% of the holdings in Givot Olam Oil, directly and indirectly, for a



total price of 3.775 million USD (the "Call Option"). In addition, in the event that the Company has exercised the Call Option, then it will have an additional option to purchase further shares of Givot Olam Oil in an amount which would grant the Shapir a total holding of up to 50.1% in Givot Olam Oil, against a purchase price representing a company valuation of 25 million USD. The transaction is complex due to the intricate holding structure of Givot Olam Oil, as well as the numerous stages of the transaction and the complex options granted to the Company as part of the transaction, including put and call options with respect to direct and indirect holding in Givot Olam Oil, which are provided and guaranteed by various companies and individuals in the Givot Olam Oil's holding structure. The transaction bears significance for the Israeli market as it represents the first foray into the gas and oil field for the Shapir Group, one of Israel's largest and most prominent industrial and infrastructure concerns.

- \* Representation of HSBC Bank and JP Morgan in their capacity as Mandated Lead Arrangers in a \$1.75 billion senior secured first lien term loan facility to Delek Drilling (Leviathan Financing) Ltd. and Avner Oil Exploration (Leviathan Financing) Ltd., in the largest project financing ever held in Israel for a project in the development stage for the development of the Leviathan offshore natural gas field.
- \* Representation of JP Morgan, CitiGroup and HSBC as the lead underwriters of a private placement to Israeli and foreign institutional investors of senior secured notes in the aggregate amount of \$2 billion issued by Delek & Avner (Tamar Bond) Ltd., Delek Drilling Limited Partnership and Avner Oil Exploration Limited Partnership. This transaction is one of the largest bond transactions ever completed in the State of Israel, and is meant to provide additional financing towards the continued financing of the development of the Israeli offshore natural gas exploration, including the Tamar offshore natural gas exploration project.
- \* Representation of the State of Israel in the Ashalim Power Stations project - solar thermal BOT and the photo-voltaic BOT tenders and projects. This is an international, innovative, first-of-its-kind tender that is composed of 3 separate tenders – two tenders for the implementation of 2 solar power plants with a capacity of 220 mega watts, and one tender for a photo voltaic power plant with a capacity of 15-30 mega watts – all three at the Ashalim site in the Negev. This is the largest renewable energy project in Israel and 5th largest in the world, in which major international entities and foreign and local financiers are involved. The three power plants will be a significant milestone in achieving the Israeli government's goal of producing 10% of electricity for the Israeli market from renewable energy sources by 2020.
- \* Representation of Siemens Israel in its various infrastructure and energy projects and tenders, including:
  - Representing Siemens as EPC contractor in 2 large scale conventional power plants in Israel – Alon Tavor and Ramat Gavriel. During the course of the representation, we assist Siemens with contract administration, compliance with the EPC Agreement and the financier's requirements, and we are also preparing a suit of close to 50 sub-contracts and consulting packages for the performance of the works.
  - Representing Siemens Israel as EPC and Operation and Maintenance contractor for 5 new PV solar energy farms in the Negev and Arava regions as part of a NIS 400 million, 35MV project. The project is being set up by the Arava Power Company on 5 kibbutzim with funding from Bank Hapoalim and Migdal. The transaction included the negotiation and preparation of extensive project documentation in accordance with the requirements of the project licenses.
  - Siemens' participation in the Electrification Project tender published by Israel Railways Ltd. ("ISR"). The Electrification Project of the Israel railway system is a national infrastructure plan, considered to be one of the largest infrastructure projects that was ever implemented in Israel. The project intends to transform the



whole, cross-country railway infrastructure so that the railway system will operate by means of electricity instead of diesel (as is currently the case).

- Acted for Siemens in the contract administration of the Delek Sorek project, where Siemens was a supplier of the turbines.
  - Siemens' participation in the Double Deck Electric Multiple Units tender published by Israel Railways Ltd. ("ISR"). This project of the Israel railway system is for the supply and maintenance of multiple electric trains. These quiet trains, powered by electricity, are intended for use on the first high-speed rail in Israel, as part of the national Electrification Project mentioned above, on the main rail link connecting Jerusalem with Ben Gurion International Airport and the Tel Aviv metropolitan area.
- ✱ Representation of the Ministry of Transportation, Ministry of Finance, and the Jerusalem Municipality in the Jerusalem light railway project. We provide ongoing legal services for the duration of the project, throughout the construction and implementation stages, including the ongoing financing of the concessionaire by various banks. Additionally, we continue to assist with issues relating to the ongoing operations and management of the Jerusalem light railway project, including its precedential and complex expansion, which involves the construction of new railways, increasing the number of rail cars, and adjustments to the procurement systems. Our ongoing work involves handling legislative initiatives, and comprehensive regulatory amendments that are required under the circumstances, and continuous legal advice to the Ministry of Justice, Ministry of Transport, the Ministry of Finance and the Jerusalem Municipality.
- ✱ Representation of NTA Metropolitan Mass Transit System Ltd., a government company, in the Light Rail Transit (LRT) Project in central Israel, one of the largest and most complicated transportation and infrastructure projects in Israel. This work includes several key tenders and assistance throughout all phases of various public tenders issued by NTA, the handling of all sub-projects of the LRT Project, litigation, the execution of contracts awarded to winning bidders and more. This representation includes the handling of the international tender for the Turkish Alignment section of the NTA Red Line, a cut and cover tunnel project, which included excavation and support, diaphragm walls, protection works of existing historical structures and bridges, utilities, civil works, acoustic protection and fencing, with a value of a half a billion NIS.
- ✱ Representation of Cisco as the technology and funding partner to the winning bidder in the Government sponsored project to form a new telecommunications company ("NTC") that will build a new telecommunications network by laying fiber optic cables on existing infrastructure of Israel Electric Corp (IEC).
- ✱ Representation of the Israeli Water Authority in an international public tender for the selection of a consulting and monitoring company for the monitoring and supervision the Israeli national water company.
- ✱ Representation of the T.S.I Roads Limited Partnership, a limited partnership formed and managed by the Israel Infrastructure Fund (IIF), Israel's leading infrastructure private equity fund, in their acquisitions of interests in Derech Eretz Highways, the concessionaire for the Highway 6 BOT project for overall of approx. NIS 1.5 billion.
- ✱ Representation of Bank Hapoalim in the financings of the Palmahim desalination plant, one of the only five desalination plants in Israel, owned and operated by Granite Hacarmel (part of Azrieli Group). The financing transactions involve a complex array of loans, debentures and guarantees, and required the preparation of various project agreements, involving construction and maintenance of the expanded facility.
- ✱ Representation of Barclays Bank Plc, as arranger, Bank Mizrahi Tefahot, as facility agent and a number of Israeli institutional lenders in a \$225 million credit facility to Alon D.A. Gas



Explorations Ltd., a wholly owned subsidiary of Dor Gas Explorations Limited Partnership, which among other things will re-finance the credit facility entered into by Alon D.A. Gas Explorations Ltd. to finance the Tamar offshore natural gas project.

- \* Yigal Arnon & Co. represents HSBC Bank and BNP Paribas, in their capacity as Mandated Lead Arrangers in a \$250 million senior secured first lien term loan facility to Leviathan Development (2016) Ltd. to finance the share of Ratio Oil Exploration (1992) LP in the development of the Leviathan project.
- \* Representation of Shapir Civil & Marine Engineering Ltd. in their various infrastructure and energy projects and tenders, including:
  - Acted for a consortium led by Shapir that won a tender for the construction of the new port in Haifa, considered one of the largest marine construction projects in the world, and that included the participation of many top tier international engineering companies. Our role required negotiating preliminary documentation for the delivery of the Project throughout all its phases. During the process we also advised the consortium on pre-qualification structure and tender compliance issues, and on the FIDIC contract governing the transaction vis a vis the State. Post award we negotiated definitive documents, and provided advice on contract administration and implementation and financing of the Project .
  - Represent Shapir in " - Tikshuv" Tender, which is a PPP/BOT project for the relocation of several large technological military bases from the centre of Israel to the South of Israel. The successful bidder will be required to finance, design, and construct the entire technological military base, and operate and maintain it as a concessionaire engaged by the Ministry of Defence. A distinctive feature of this tender is the requirement to reach financial closing, as part of the tender process within a limited period of 6-8 months.
  - Represented Shapir in approximately 8 pre qualifications and tenders issued by NTA Metropolitan Mass Transit System for the construction of the light rail in Tel Aviv. We advise on all pre-qualification structures and tender compliance issues, as well as matters pertaining to Shapir's collaboration with major international construction companies and negotiate project agreements. We provide advice on the governing construction contract, in addition to preparing downstream documentation. Furthermore, we represent Shapir in motions filed against/ by the tender committee and/or third party successful bidders.
  - We are currently acting for Shapir on the tender issued by the Inter-Ministerial Tender Committee for the PPP/BOT Highway 16 Project – a highway which is planned to connect 2 highways to serve as an additional main access road to Jerusalem. We advise Shapir on tender compliance in preparation of its joint bid with a leading foreign partner, and we are negotiating and drafting subcontractor agreements and project documents such as EPC and O&M agreements, as well as the documentation for the financing and implementation of the project.
  - Represented Shapir in a tender issued by Mekorot for the construction of a new water pipe line to east Jerusalem. The tender required the preparation of a consortium agreement which Shapir entered with two major French construction companies. Ongoing tender compliance, and the preparation of subcontract construction agreements for the projects.
  - Represented Shapir as one of two bidders selected by the State for the second stage of an innovative, first-of-its-kind BOT tender for the finance, design, construction, operation and maintenance of a massive army training base in the south. The project is known as "Ir Habahadim" (city of training bases). This tender is the first of its kind as it requires the building and operation of a "city" for the army.



- \* Representation of a consortium bidder - G.E.S Global Environmental Solutions Ltd., Baran Industries (91) Ltd. and Shapir Civil & Marine Engineering Ltd. - in a Tender issued by the State of Israel for the finance, design, construction, operation, maintenance and transfer of a sea-water desalination facility at Sorek, with an option to construct a power plant.
- \* Representation of a consortium bidder in a Tender issued by Mekorot Development & Enterprise Ltd. for the design, building and supervision, on a turn-key basis, of a seawater desalination plant at Ashdod, with production capabilities of at least 100 million cubic meters per year.
- \* Representation of the Tender Committees of the Ministry of Transport in all the tenders related to the privatization of public transportation. We have handled 10 tenders so far. The firm is currently handling the tender for the implementation of the "Metronit" in Haifa. This is a brand new transportation system similar to the tramway but without tracks, that will lead to the introduction of Bus Rapid Transit (BRT) system in Israel.
- \* Representation of the Israel National Gas Company for all tenders related to the national gas line infrastructure project (a few hundreds of \$ millions). The firm also handled all the international tenders related to international suppliers on behalf of our client.
- \* Representation of Hyundai Engineering in its bid in one of the largest and most complex projects in Israel - the development of a major Combined Cycle HRSG Power Plant in Beer Tuvia.
- \* Representation of the Ministry of Finance, Ministry of Health and the Israeli Land Administration in preparing and managing a BOT Tender Process for the design, construction, operation, maintenance and finance of a 300 bed hospital in the city of Ashdod.
- \* Representation of the Jerusalem municipality and the ministry of Transport in programs related to Public Transportation (tenders related to fleet management, traffic control, import of hybrid buses etc).
- \* Representation of the Internal Security Ministry in all tenders for electronic surveillance of road infractions.
- \* Representation of the STC Group, a private Italian company specializing in the design and construction of conventional power plants, in various power plant projects.
- \* Representation of Solaer Israel Ltd. in a wide range of Solaer Power projects, in Israel and abroad.
- \* Representation of Super NG, holder of the license for natural gas distribution in the central area, in connection with its short term and long term financing of the project.
- \* Representation of CMC Cooperative Muratori e Cementisti di Ravenna in its engagement with the Tahal Group, for extending EPC services in the construction of the pumped storage power plant in Kochav Ha'Yarden, Israel. This 300-350 MW capacity project will be one of Israel's first projects of its type, and will play a key role in Israel's ongoing efforts to diversify its electricity sector, thereby providing maximum management flexibility to the grid system manager.
- \* Representation of Kiryat Malachi and Rosh Ha'Yin municipalities in all the processes related to the implementation of water and sewage companies.

## Recognition

Yigal Arnon & Co. is repeatedly top ranked as a in the **Projects, infrastructure and energy** practice by international and domestic legal guides:



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