1

 , 2012

**FOUNDERS AGREEMENT**

RELATING TO

 **LTD.**

ENTERED INTO BY AND BETWEEN

**Israel Electric Corporation Ltd.**

and

**[The Controlling Shareholder]**

and

**[The Company]**

This FOUNDERS AGREEMENT is made and entered into on this day of

2012, by and between: (i) **ISRAEL ELECTRIC CORPORATION LTD.** (company no. 52-

0000472), an Israeli public company whose registered address is 1 Netiv Ha'or St., Haifa

31000, Israel ("**IEC**"); and (ii)

whose registered address is (the "**Controlling Shareholder**"); and (iii)

 Ltd. (company no. ), an Israeli private company whose registered

address is (the "**Company**");

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 (company no. ), an/a company

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**WHEREAS** On July 15th, 2010, the Government of the state of Israel (the

"**Government**"), has by virtue of the Government resolution No. 2024, resolved to instruct the Israeli Minister of National Infrastructures and the Israeli Minister of Finance to exercise their authority pursuant to the Israeli Electricity Sector Law, 1996 and authorize IEC, to operate in the telecommunication sector through the Company that shall be established to that end and shall use and operate a fixed telecommunication infrastructure, based on telecommunication infrastructure deployed on the electricity network, for purposes of providing Telecommunication Services, subject to and in accordance with the provisions of a telecommunication licence to be granted to the Company by the Minister of Communication (the "**Telecommunication Licence**"); and

**WHEREAS** On March 6th, 2011 the Government has by virtue of the Government

resolution No. 2949, introduced and adopted certain amendments to its resolution No. 2024 of July 15th, 2010, and has resolved inter alia, to approve the establishment of the Company by IEC together with another who shall be elected as the controlling shareholder of the Company pursuant to a public, competitive, equal and transparent process for the election of such controlling shareholder, conducted in accordance with the provisions of the Procedure (the "**Election Process**"); and

**WHEREAS** IEC is the sole integrated electric utility in the State of Israel and is engaged

in various business activities, primarily in generating, transmission and distribution of electricity in the State of Israel; all subject to and in accordance with the provisions of the Israeli Electricity Sector Law, 1996, the Electricity Law, 1954 and all applicable regulations and other legislative instruments enacted by virtue thereof; and

**WHEREAS** the Controlling Shareholder was elected as the Winning Bidder of the

Election Process; and

**WHEREAS** pursuant to the provisions of the Procedure, the Founders shall promptly

after the signature of this Agreement, incorporate the Company under the laws of the State of Israel as a private company limited by shares, for the purpose of engaging in and conducting the Business; and

**WHEREAS** the Founders wish and agree that their respective rights, responsibilities and

obligations as shareholders of the Company and the principles for the management, control and business operations of the Company, shall be as set forth and stipulated in this Agreement;

**NOW, THEREFORE**, in consideration of the mutual covenants and undertakings

stipulated in this Agreement, all of the parties hereof agree as follows:

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**1.**

**Interpretation and Definitions.**

1.1.

Interpretation. The following rules of interpretation shall apply to this

Agreement unless the context unequivocally requires otherwise:

1.1.1

The headings to and the sequence of sections in this

Agreement are solely for the sake of convenience and shall not serve as a tool or an aid in the interpretation of this Agreement.

1.1.2

Any use in this Agreement of the singular form shall include

the plural form and conversely, unless the context unequivocally requires otherwise.

1.1.3

Any reference to a law, regulation, or any other legislative or

regulatory instrument, or to a provision of any of the aforesaid, is a reference to any of the same, as amended from time to time;

1.1.4

Any reference in this Agreement to any of the Founders

shall include their respective successors and Permitted Transferees.

1.1.5

In any conflict or disparity between any of the provisions of

the main body of this Agreement and a provision of any Annex hereof, the provision contained in the main body of this Agreement shall take precedence and prevail.

1.2.

Definitions. In addition to the terms defined elsewhere in this Agreement,

unless otherwise required by the provisions hereof, the following terms and expressions will have the meanings as set forth below:

**"Agreement" or**

**"Founders Agreement"**

Means this agreement including the recitals

and any and all schedules thereof, as amended from time to time in accordance with the provisions of this Agreement.

**"Aggregate Investment**

**Amount"**

The cumulative amount of the Winning Bid

and the Mandatory Additional Investment Amount, to be invested by the Controlling Shareholder in the Company in accordance with the provisions of Section 6 hereof.

**"Additional Permits**

**and Consents"**

Means an approval or an exemption from the

duty to obtain approval for a merger and for a

restrictive

trade

practice

from

the

Commissioner of Restrictive Trade Practices,

to the extent required, and any other license, permit, approval or consent that are required from any regulatory or other competent

authority

for the

consummation

and

performance of the transactions, obligations

and undertakings contemplated hereunder.

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**"Appraiser"**

Any one of the main international accounting

firms (i.e., "KPMG", "PwC", "Deloitte & Touche", or "Ernst & Young") that (i) has not been engaged by IEC and by the Controlling Shareholder (including any Person directly or

indirectly

affiliated with

the

Controlling

Shareholder) in the past two years; and (ii)

that shall undertake not to seek to perform any work for either IEC or for the Controlling Shareholder (including any Person directly or

indirectly

affiliated

with

the

Controlling

Shareholder) in the subsequent year; and (iii)

that is not engaged by any competitor of the Company.

**"Articles of**

**Association"**

Means the articles of association of the

Company as amended from time to time.

**"Basic Proposal"**

The

basic

proposal

submitted

by the

Controlling Shareholder in accordance with

the provisions of the Procedure in general and Annex "C" of the Procedure in particular.

**"Board"**

Means the Company's board of directors.

The deployment of an FTTH (fiber to the

**"Business"**

home)

fixed telecommunication

network

infrastructure, based on IEC's fiber optic

network

and

electricity

network's

infrastructure,

for

provision

of

Telecommunication Services , subject to the

permits and licences issued to the Company to that effect and to the objectives of the Company set in the Articles of Association.

**"Business Day"**

Any day falling Monday through Thursday on

which

commercial

banks

in

Israel are

generally open for business, excluding IEC

holidays as specified in **Schedule 1.2B**

hereof,

as

shall

be

updated by IEC,

unilaterally, from time to time.

**"Business Plan"**

The

business

plan submitted

by

the

Controlling Shareholder within the framework

of its Basic Proposal in accordance with the provisions of the Procedure in general and Annex "C" of the Procedure in particular.

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**"Change of Control"**

Any of the following events:

(i) where a Person who had Control over a

corporation ceases to have Control over such corporation;

(ii) where a Person who did not have

Control

over

a

corporation

obtains

Control over such corporation.

**"Communication Law"**

The

Israeli

Communication

(Telecommunication and Broadcasts) Law,

1982 and any and all applicable rules and regulations promulgated there under.

**“Companies Law”**

The Israeli Companies Law, 1999 and any

and all rules and regulations promulgated there under.

**"Control"**

As defined in section 1 of the Companies

Law.

**"Controlling Shares"**

The Ordinary Shares constituting 60% of the

issued and outstanding share capital of the Company immediately upon its incorporation.

**"Deemed Liquidation**

**Event"**

The event of a consolidation, merger or

reorganization of the Company with or into any other Person, or a sale of all or substantially all of the Company’s assets, to any other Person.

**"Deferred Investment**

**Amount"**

The amount forming the balance between (i)

the Winning Bid amount plus the Mandatory

Additional Equity

Amount

and (ii)

the

Mandatory Initial Equity Investment Amount;

linked to the Consumer Prices Index in accordance with the provisions of section 10 of the Procedure, secured by the Deferred Investment Bank Guarantee / Standby Letter of Credit and which will be invested by the Controlling Shareholder in the Company in accordance with the provisions of section 6 hereof.

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**"Deferred Investment**

**Bank Guarantee / Standby Letter of Credit"**

An

autonomous,

unconditional and

irrevocable bank guarantee or standby letter

of credit, In

Procedure, Investment accordance

the form of **Annex "E"** of the

initially in

Amount,

the

Deferred

extendable

provisions replaceable provisions

in

of in of the with

with

the

Section

6.1.9

hereof,

accordance

with

the

Section

6.1.10 hereof,

linked

to

Consumer Prices Index in

accordance

the provisions of section 10 and **Annex "E"**

of the Procedure, serving as security for the

investment

of

the

Deferred

Investment

Amount by the Controlling Shareholder, to be

held by the Escrow Agent and exercisable in

accordance

with

the provisions of

Section 6.1.11 hereof and the provisions of

the Escrow Agreement.

**"Deferred Investment**

**Bank Guarantee / Standby Letter of Credit Period"**

A period of 6 (six) years and 1 (one) month

from

the date

of incorporation

of

the

Company, during

which,

the

Deferred

Investment Bank Guarantee / Standby Letter

of Credit shall be valid and exercisable

in

of of

accordance

with

the provisions

Section 6.1.11 hereof and the provisions

the Escrow Agreement.

**"Electricity Sector Law"**

The Israeli Electricity Sector Law, 1996 and

any

and

all

rules, regulations and

governmental resolutions promulgated there

under.

Means any Person with respect of whom, all

of the following conditions apply:

**"Eligible Investor"**

(i) he does not, directly or indirectly, through

one or more intermediaries, Control, Controlled by, or is under common Control with IEC; and

(ii)

he is not barred from Holding any Mean

of Control in

the Company pursuant to

the

cross

ownership

the

restrictions

Government

stipulated

Resolutions

in

(particularly set in clause

1(c) of the Government Resolution 2024

as amended by clause 2(b) of the Government Resolution 2949); and

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(iii) he is engaged in a Control agreement in

accordance with

the provisions

of

Section 4.4 hereof, with the Controlling

Shareholder in connection with any Shares transferred to it by the Controlling

Shareholder

subject

to

and

in

this

accordance with the

Agreement; and

provisions of

(iv)

his acquisition and

Holding of

any

the

Shares

transferred

to

it

by

Controlling Shareholder subject to and in

accordance with the provisions of this

Agreement,

are

not

"A

Holding

of

Securities or the Acquisition Thereof

Together With Others" (as this term is defined in section 1 of the Securities Law), with respect to the Shares Held by IEC.

**"Equity Investment**

**Amount"**

An amount equal to 50% (fifty percent) of the

Aggregate Investment

Amount,

to

be

invested by the Controlling Shareholder in

the share capital

equity investment

of the Company as an

in consideration for the

issuance

of

the

Controlling Shares

in

accordance with the provisions of Section 6

hereof.

**"Escrow Agent"**

H.F.N. Trust Company 2010 Ltd.

**"Escrow Agreement"**

The escrow agreement entered into by and

between the Controlling Shareholder and the Escrow Agent, in accordance with the provisions of Section 20.3 of the Procedure, to be endorsed by the Company and governing and regulating the relationship, rights and obligations of the Controlling Shareholder, the Company and the Escrow Agent in connection with the deposit by the Controlling Shareholder and the handling by the Escrow Agent of the Mandatory Initial Equity Investment Amount and the Deferred Investment Bank Guarantee/Standby Letter of Credit.

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**"Facility Agreement"**

The binding and committed loan facilities

agreement between the Facility Financier and the Company, procured for the Company by the Controlling Shareholder for financing the Business of the Company on basis of the

Business

Plan,

which (loan

facilities

agreement) was submitted as such by the

Controlling Shareholder within the framework of its Basic Proposal in accordance with the provisions of the Procedure.

**"Facility Amount"**

The total aggregate amounts of any and all

monies commited to be available and lent to the Company by the Facility Financier under any and all types and forms of facilities within the framework of the Facility Agreement.

**"Facility Financier"**

One of the 5 (five) largest commercial banks

in Israel, or a Foreign Bank, or a consortium of such banks, or a third party internationally reputable organization that is not a bank, that has entered into the Facility Agreement with the Company.

**"Financing Grant"**

The non-repayable

amount of up to

financing grant in an

NIS 150,000,000 (one

hundred and

fifty

the

millions), that will

Company by

be

the the

facilitated

Government

to

in

accordance

with

provisions of **Schedule 1.2F** hereof.

**"Founder"**

Each of IEC and the Controlling Shareholder,

and "Founders" shall mean IEC and the Controlling Shareholder jointly.

**"Full Acquisition Offer"**

As defined in the Companies Law.

**"Government"**

The Government of the State of Israel.

**"Government**

**Resolutions"**

The Government resolution No. 2024 of July

15th, 2010, the Government resolution No.

6th,

2949

of

March

2011,

and

the

Government resolution No. 5122()n-300) of

September 20th, 2012, as may be amended from time to time.

**"Holding"**

As defined in section 1 of the Communication

Law, and the words "Held" or "Hold" shall be interpreted accordingly, where the context shall require.

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**"Initial**

**Shareholder**

An amount equal to 50% (fifty percent) of the

Aggregate Investment Amount, forming part of the Deferred Investment to be facilitated by the Controlling Shareholder to the Company

**Loan Amount"**

in

accordance

with the provisions

of

Section 66 hereof.

**"Interested Party"**

As defined in Section 1 of the companies

Law.

**"Interested**

**Transaction"**

**Party**

Any transaction that is subjected to IEC's

minority protection right under section 7.4 hereof.

**"IPO"**

The sale of Shares by the Company or by the

Founders to members of the public and/or

the issuance of bonds to

members of the

public, in

effective Securities

a public offering pursuant to an

listing statement

under

the

Law, or an equivalent law of

another applicable jurisdiction pursuant to the

provisions of Section 0 hereof.

**"Mandatory Additional**

**Investment Amount"**

The amount that the Controlling Shareholder

has been required to add to the amount of the Winning Bid in order to meet the investment / debt ratio requirement under the provisions of the Facility Agreement, if at all and which, if applicable shall form part of the Aggregate Investment Amount.

**"Mandatory**

**Equity Amount"**

**Initial**

**Investment**

An amount of NIS 100,000,000 (one hundred

millions)

deposited

by

the

Controlling

Shareholder in the Escrow Account in free

available cash and forming part of the Controlling Shareholder's Equity Investment Amount.

**"Means of Control"**

As defined in section 1 of the Communication

Law.

**"Minister"**

The Israeli Minister of Communication or its

successor.

**"MoC"**

The Israeli Ministry of Communication, or its

successor

ministry,

or

any

other

governmental or autonomous entity entrusted

with

responsibility

for

regulation

of

telecommunication operators in Israel.

**"Ordinary Shares"**

Ordinary Shares of the Company of par value

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NIS 1 each.

With respect of any Shareholder:

**"Permitted Transferee"**

(i)

a Relative of a first degree of any

Shareholder who is an individual; or

(ii)

any Person that directly or indirectly,

through one or more intermediaries, Controls, is Controlled by, or is under

common

Control

with,

the

relevant

Shareholder; or

(iii)

a trust primarily for the benefit of such

Shareholder and/or

of

any

of

the

Persons

considered

Permitted

Transferees of such Shareholder under

clauses (i) or (ii) above;

Provided that with respect of the Controlling

Shareholder, any Permitted Transferee under clauses (i), (ii) or (iii) above qualifies as an Eligible Investor.

With respect of IEC in particular: in addition

to any Permitted Transferee under clauses

(i), (ii) or (iii) above, any

transferee or

assignee of IEC pursuant to the provisions of

Section 16.8 hereof.

**"Person"**

an

individual,

corporation, company,

association,

partnership,

joint

venture,

consortium, trust, or any other form of a legal

entity;

"**Personal Interest**"

As defined in Section 1 of the Companies

law.

**"Procedure"**

The

"Procedure for the

Election of

a

Controlling Shareholder, Investor and a Co-

founder of the Company" (as defined herein),

pursuant

to

which

the Controlling

Shareholder was elected as the winning

bidder.

**"Relative"**

As defined in section 1 of the Companies

Law.

**"Right of Use"**

As defined in the Right of Use and Services

Agreement.

**"Right of Use and**

**Services Agreement"**

The agreement forming Schedule 7 of the

Procedure, in the form signed and entered

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into between the Company and IEC.

The Israeli Securities Law, 1966 and any and

**"Securities Law"**

all

rules,

regulations

and

governmental

resolutions promulgated there under.

**"Shareholder"**

Any Person Holding one or more Shares and

being a party to this Agreement.

**"Shareholder Loan"**

Any loan facilitated to the Company by a

Shareholder subject to and in accordance with the provisions of Section 6 hereof.

**"Shares"**

The shares, of any class, of the Company.

**"Stock Exchange**

**Abroad"**

As defined in Section 1 of the securities Law.

**"Telecommunication**

**Services"**

As defined in section 1 of the Communication

Law.

**"Winning Bid"**

As defined in the Procedure.

**2.**

**Scope and Objectives of this Agreement.**

2.1.

The Founders agree to incorporate the Company in the name "**[TBD]**" or

any similar name that will be approved by the Israeli Registrar of Companies.

2.2.

The Founders agree and shall ensure that the Company shall enter into the

Right of Use and Services Agreement and that the Company shall take any other action and shall execute and sign any document required to be taken and signed respectively in accordance with the provisions of this Agreement.

2.3.

This Agreement, together with the Articles of Association (but subject to the

provisions of Section 16.1 hereof) shall govern the relationship of the Founders and their successors as Shareholders of the Company, and shall continue in full force and effect until the termination thereof pursuant to the provisions of Section 1515 hereof.

2.4.

The Founders and the Company shall do and perform, or cause to be done

and performed, all such reasonable acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as may be reasonably required in order to facilitate the fulfillment of all undertakings, obligations, intents and purposes of this Agreement;

**3.**

**Representations**

3.1.

Each of the parties hereof represents and warrants, severally and not jointly,

that it has the legal capacity, power and authority to enter into this Agreement and that this Agreement is valid and binding on it, and is enforceable against it in accordance with its terms and conditions.

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3.2.

Without

hereof:

derogating from the generality of the provisions of Section 3.1

3.2.1.

IEC represents and warrants that it has the legal capacity

and authority to enter into the Right of Use and Services Agreement and that the Right of Use and Services Agreement will be, as of the signature thereof by the parties thereto, valid and binding on IEC, and enforceable against it in accordance with its terms and conditions; and

3.2.2.

The Controlling Shareholder represents and warrants that it

has the financial ability and resources to invest the amounts required and specified hereunder in the share capital of the Company, as well as additional amounts as specified hereunder for the financing of the Company's Business and other additional financing as will be required in order to finance the Company's Business and enable the Company to comply with its

undertakings,

including

without limitations, under

the

Telecommunication Licence and the Right of Use and Services

Agreement, even

investment in the required in order

if IEC is unable to make any financial

Company, or otherwise provide financing to finance the Company's Business in

accordance with the provisions of Section 6 hereof.

Without derogating from all of the aforesaid, the Controlling

Shareholder undertakes to fully and timely invest the entire Aggregate Investment Amount in the Company, in accordance with the provisions of Section 6 hereof.

3.2.3.

It is clarified that the state of Israel is not a party to this

Agreement and the each of the parties hereof acknowledges that nothing in this Agreement shall derogate from any authority vested under any applicable law in the state of Israel or any of its competent agencies and authorities, or affect the discretion of state of Israel or any of its competent agencies and authorities, or constitute a representation pertaining to the exercise of such discretion.

**4.**

**Share Capital Structure**

4.1.

The authorized share capital of the Company shall be NIS 10,000,000 (ten

millions) divided into 10,000,000 (ten millions) Ordinary Shares of the Company of par value NIS 1.00 (one) each.

4.2.

Immediately following the signature of this Agreement and the incorporation

of the Company, the issued and outstanding share capital of the Company shall comprise of 1,000 (one thousand) Ordinary Shares divided as follows:

4.2.1.

600 (six hundred) Ordinary Shares constituting 60% (sixty

percent) of the Company's issued and outstanding share capital, shall be Held by the Controlling Shareholder; and;

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4.2.2.

400 (four hundred) Ordinary Shares constituting 40% (forty

percent) of the Company's issued and outstanding share capital, shall be Held by IEC.

4.3.

Other than as described in Section 4.2 hereof, immediately following the

signature of this Agreement there will be no issued and outstanding Shares,

options, warrants convertible debts or other securities convertible

exercisable, for new shares of the Company.

into, or

4.4.

If the Controlling Shareholder is comprised of more than one

("**Consortium Group**"), then, in order to ensure that IEC shall

Person

not be

deemed in Control of the Company, unless and until the Government

Resolutions to that effect are amended and expressly permit such Control by IEC, all rights attached to each and every one of the Controlling Shares shall be exercised as one block and in a single and identical manner.

In order to ensure the full compliance with and adherence to the aforesaid,

the following provisions shall apply:

4.4.1.

All Persons comprising the Consortium Group shall enter

into and sign a trust agreement (the "**Trust Agreement**") with a trustee who shall be one of the Persons comprising the Consortium Group (the "**Trustee**"), according to which:

all of the Controlling Shares will be Held by the Trustee

and registered in the name of Trustee as the Holder thereof in trust for the benefit of any and all of the Persons comprising the Consortium Group, including the Trustee, (each of which, as the ultimate beneficial owner of its respective portion of the Controlling Shares); and

(a)

all rights and in particular, all voting rights attached to

each and all of the Controlling Shares will be exercised by the Trustee only, on behalf of all of the Persons comprising the Consortium Group, as one block and in a single and identical manner; and

(b)

In no event, no Person comprising the Consortium

Group shall be entitled to exercise any right attached to any of the Controlling Shares and in particular, vote any of the Controlling Shares severally, or independently; and

(c)

The Trustee will be entitled to issue only one proxy on

behalf of all of the Controlling Shares which are registered in its name, subject to the obligation of such authorized person to vote all of the Controlling Shares as one block and in a single and identical manner, in accordance with the provisions of Section 4.4.1(b) hereof; and

(d)

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Any Person wishing to acquire any of the Controlling

Shares shall be required, as a condition precedent for the completion of such acquisition, and without derogating from any other relevant provision of this Agreement, the Articles of Association and any relevant legislative and regulatory instrument, to become a party to and endorse the provisions of the Trust Agreement and be bound by it.

(e)

4.4.2.

Any change, amendment or alternation in the identity of the

Trustee, and/or in the Trust Agreement, including, without limitation, the composition of the Persons comprising the Consortium Group and the beneficial ownership portion of the Controlling Shares of any Person comprising the Consortium Group, shall without derogating from any relevant provision of this Agreement and or the Articles of Association, be subject to the approval of the MoC, in advance and in writing and shall not be effective unless and until such advance written approval has been obtained.

**5.**

**Rights Attached to the Shares**

5.1.

Each Ordinary Share shall confer upon the Holder thereof the right to one

vote at every annual or special general meeting of the shareholders of the Company and Section 76 of the Companies Law shall apply with respect to any written resolution of the shareholders of the Company.

5.2.

Each Ordinary Share shall confer upon the Holder thereof an equal right to

be paid its proportional part in any dividends that may be declared by the Company and an equal right to take part in the distribution of the remainder of the Company's assets after the payment of its debts and obligations in the event of winding-up or liquidation of the Company.

**6.**

**Funding**

Under the Government Resolutions, the financing of the Company's Business shall

be made through resources that shall be availed to the Company by the Controlling Shareholder, including by way of Shareholder Loans, capital raise of the Company and/or loans advanced to the Company by third parties. Notwithstanding the aforesaid, the Government has undertaken to facilitate the Financing Grant to the Company.

In addition, the Government Resolutions stipulated that, save for investments

pertaining to the Right of Use, IEC shall not invest in the Company, directly or indirectly, unless such investment has been approved by the Government.

Accordingly:

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6.1.

The Company's Business activities shall initially be financed by the

Aggregate Investment Amount which will be invested by the Controlling Shareholder, the Financing Grant that will be facilitated by the Government and the Facility Amount that will be facilitated by the Facility Financier under the Facility Agreement ("**Initial Financing**"); all - subject to and in accordance with the following provisions:

6.1.1.

The Mandatory Initial Equity Investment Amount shall be

fully utilized before the Company shall withdraw any amount forming part of the Facility Amount or the Initial Shareholder Loan.

6.1.2.

The balance of the Equity Investment Amount forming part

of the Deferred Investment Amount shall be paid by the Controlling Shareholder to the Company and fully utilized before the Company shall withdraw any amount forming part of the Initial Shareholder Loan.

6.1.3.

The Deferred Investment Amount shall be paid and

facilitated to the Company by the Controlling Shareholder by not later than the date falling 6 (six) years from the date of incorporation of the Company.

6.1.4.

Subject to and in accordance with the provisions of

Sections, 6.1.1, 6.1.16.1.16.1.2 and 6.1.3 hereof, the company shall make withdrawals from the financing resources available to it within the framework of the Initial Financing in accordance with the Business Plan as amended from time to time.

6.1.5.

Any amount forming part of the Initial Shareholder Loan

actually

facilitated

to

the

Company

by

the

Controlling

Shareholder, subject to and in accordance with the provisions of

Section 6.1.4 hereof, the repayment of which shall be subordinated to repayment of any and all amounts forming part of the Facility Amount facilitated to the Company under the Facility Agreement including all interest accrued thereon, shall bear an 11% (eleven percent) interest rate calculated on an annual basis as from the date on which it has been facilitated and made available to the Company until the date of repayment thereof including all interest accrued thereon.

6.1.6.

Repayment of amounts facilitated and made available to the

Company forming part of the Initial Shareholder Loan shall be made by the Company from time to time, out of the Company's free and available cash and subject to the Company's payment and repayment obligations which take seniority and priority over repayment of the Initial Shareholder Loan Amount or any part thereof.

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6.1.7.

The Company shall not distribute dividends to the

Shareholder before it has repaid the Initial Shareholder Loan Amount facilitated and made available to the Company in accordance with the provisions of Section 6.1.3 hereof, including all interest accrued thereon in accordance with the provisions of Section 6.1.5 hereof.

6.1.8.

Each of the Founders and the Company undertakes to make

any action necessary to ensure that the entire Deferred Investment Amount shall be facilitated and made available to the

Company

in

accordance with

the

provisions

of

Section 6.1.36.1.36.1.3 hereof, including, without limitation, exercising the Deferred Investment Bank Guarantee / Standby Letter of Credit, in accordance with the provisions of Section 6.1.11 hereof.

6.1.9.

Without derogating from the generality of the provisions of

Section 6.1.8 hereof, it is clarified that the Controlling Shareholder shall be responsible to ensure that the Company shall execute, sign and furnish each of the directors serving on the Board, an irrevocable power of attorney in the form of **Schedule 6.1.9** hereof, empowering each director to exercise the Deferred Investment Bank Guarantee / Standby Letter of Credit on the Company's behalf in any of the circumstances specified in Section 6.1.11 hereof. Such exercise of the Deferred Investment Bank Guarantee / Standby Letter of Credit on the Company's behalf may be made by any director, by way of serving a written notice on the Escrow Agent demanding the exercise of the Deferred Investment Bank Guarantee / Standby Letter of Credit, (the "Exercise Notice"), accompanied by the power of attorney referred to above.

6.1.10.

The amounts available and exercisable under the Deferred

Investment Bank Guarantee / Standby Letter of Credit shall decrease by each and every amount forming part of the Deferred Investment that has either been facilitated and made available to the Company in accordance with the provisions of Section 6.1.3 hereof. Such decrease may be made only by replacing the then valid Deferred Investment Bank Guarantee / Standby Letter of Credit with an amended one, subject to and in accordance with the provisions of section 14.2 of the Escrow Agreement.

6.1.11.

The total outstanding amount available and exercisable

under the Deferred Investment Bank Guarantee / Standby Letter of Credit at the relevant time shall be exercised immediately and in its entirety, upon the earlier of any of the following:

The receipt by the Company of a demand issued by the

Facility Financier in accordance with the provisions of the Facility Agreement, for immediate repayment of all

(a)

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amounts forming part of the Facility Amount that were

facilitated to the Company under the Facility Agreement; or

The lapse of 6 (six) years from the date of incorporation

of the Company;

(b)

7 (seven) days before the expiration date of the

(c)

Deferred Investment Bank

Credit, provided that such Deferred Investment Bank

Guarantee / Standby Letter of

expiration date falls within the Guarantee / Standby Letter of

Credit Period, if by that time a new Deferred Investment

Bank Guarantee / Standby Letter of Credit Period has not been issued and confirmed by the Company's external auditor to be in an amount that accurately reflects the amounts forming part of the Deferred Investment that were actually facilitated to the Company as on the date of

issuance

of

such

new

Deferred

Investment Bank

Guarantee / Standby Letter of Credit.

6.1.12.

The Deferred Investment Bank Guarantee / Standby Letter

of Credit shall be returned to the Controlling Shareholder within not later than 7 (seven) calendar days after the total Deferred Investment Amount has been facilitated and made available to the Company, unless exercised in full earlier in accordance with the applicable provisions hereof.

6.2.

If the Company shall require additional financing beyond and only after fully

utilizing and exhausting the entire amount constituting the maximum negative cash flow of the Company in accordance with the Business Plan (the "**Maximum Negative Cash Flow**" or "**MNCF**"), out of the Initial Financing ("**Additional Financing**"), the Company shall first make all commercially reasonable efforts to raise such necessary Additional Financing from external resources, at the then existing market conditions, on a non-recourse basis towards the Company's Shareholders.

Any and all such commercially reasonable efforts to raise such necessary

Additional Financing from external resources, at the then existing market conditions, on a non-recourse basis towards the Company's Shareholders, shall be made by a funds raising committee that shall be appointed to that end by the Board and report its findings to the Board (the "**Board's Funds Raising Committee**"). The Board's Funds Raising Committee shall comprise of 2 (two) members appointed by the Controlling Shareholder and 1 (one) member appointed by IEC.

6.3.

If and only if, the Company, after making all such commercially reasonable

efforts, shall fail to raise the necessary Additional Financing, or any part thereof, from external resources in accordance with the provisions of Section 6.2 hereof, and shall consequently resolve to call for a financing contribution from its Shareholders, then, the Controlling Shareholder alone shall be obliged to facilitate to the Company, in accordance with Board's said call for Additional Financing and timetable for facilitating the same, a

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financing amount (the "**Controlling Shareholder Mandatory Additional**

**Financing Commitment Amount**") equal to the higher of:

6.3.1.

The amount constituting the balance between (i) the

aggregate amount of the Initial Financing excluding the Financing Grant; and (ii) NIS 750,000,000 (seven hundred and fifty millions); or

6.3.2.

The amount constituting 20% (twenty percent) of the MNCF

amount.

For the

avoidance of doubt, it is clarified that the Controlling Shareholder

Mandatory Additional Financing Commitment Amount shall be facilitated to

the Company by way of an additional equity investment, without having any dilutive effect on the shareholding percentage interest of IEC in the Company, or by way of a Shareholder Loan, subject to an agreement in advance and in writing between the Controlling Shareholder and IEC on all of the terms and conditions pertaining to such Shareholder Loan.

6.4.

If and only if, the Company's Additional Financing requirements called for by

the Company from its Shareholders subject to and in accordance with the provisions of Section 6.3 hereof, exceed the Controlling Shareholder Mandatory Additional Financing Commitment Amount, then, subject to actual facilitation by the Controlling Shareholder of the entire Controlling Shareholder Mandatory Additional Financing Commitment Amount any such balance of the Additional Financing amount called for by the Company shall be facilitated by the Shareholders in accordance with Board's Additional Financing call and timetable for facilitating the same, by way of an additional equity investment, or, by way of a Shareholder Loan, subject to an agreement in advance and in writing between the Controlling Shareholder and IEC on all of the terms and conditions pertaining to such Shareholder Loan ("**Subsequent Investment**").

Within the framework of a call for the Shareholders' contribution of a

Subsequent Investment referred to in this section 6.4, each Shareholder shall only be called to facilitate such percentage portion of the relevant Subsequent Investment amount, equal to each Shareholder's respective holdings percentage interest in the outstanding issued share capital of the Company at the date on which such Subsequent Investment is to be actually advanced in accordance with the Board resolution to that effect ("**Pro-Rata Contribution**").

For the avoidance of doubt, it is clarified that subject to actual facilitation by

the Controlling Shareholder of the entire Controlling Shareholder Mandatory Additional Financing Commitment Amount, the provisions of this Section 6.4 concerning the subsequent Investment in the amount constituting the balance of the first Additional Financing called by the Board from the Shareholders, shall apply, mutatis mutandis, to any subsequent call for Additional Financing made by the Company to its Shareholders, if and only if, the Company, after making all commercially reasonable efforts, shall have failed to raise the necessary Additional Financing, or any part thereof, from

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external resources in accordance with the provisions of Section 6.2 hereof

("**Subsequent Additional financing**").

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6.5.

If a Shareholder fails to facilitate its Pro Rata

Subsequent Additional Financing duly called by the with the provisions of Section 6.4 hereof, provided

Contribution of any

Board in accordance for the avoidance of

doubt, that the Controlling Shareholder has already facilitated to the

Company the entire Controlling Shareholder Mandatory Additional Financing

Commitment

**Shareholder**", **Shareholder**")

Amount

("**Financing**

**Default**"

and "**Non-Financing**

respectively), the other Shareholder (the "**Financing**

will be entitled (but not obliged) to contribute the entire

amount of the relevant Subsequent Additional Financing amount duly called

by the Board.

6.6.

The Pro Rata Contribution of the subsequent Additional Financing or the

entire Subsequent Additional Financing amount, as the case may be, advanced by the Financing Shareholder as a Subsequent Investment by way of an equity investment in the share capital of the Company following a Financing Default in accordance with the provisions of section 6.5 hereof, shall be converted into additional shares of the Company that shall be issued to the Financing Shareholder by the Company at their nominal par value, ("**Dilutive Share Issuance**").

6.7.

The number of the additional shares to be issued to the Financing

Shareholder by the Company pursuant to a Diluti**v**e Share Issuance shall be determined on basis of the valuation of the Company as of the relevant date for consummation of the Diluti**v**e Share Issuance, as shall be mutually agreed between the Shareholders.

If within 30 (thirty) calendar days from the date on which the relevant

Subsequent Additional Financing amount was set to be actually advanced in accordance with the Board resolution to that effect, the Shareholders shall fail to reach an agreement on the Company's valuation for purposes of effecting the Diluti**v**e Share Issuance, and provided that the Financing Shareholder has already facilitated to the Company its Pro Rata Contribution of the pertinent subsequent Additional Financing amount in full, then following the lapse of said 30 (thirty) calendar days, the Company shall engage an Appraiser for purposes of conducting a bona fide, arms length independent valuation appraisal of the Company for purposes of effecting the Diluti**v**e Share Issuance.

If an engagement of an eligible Appraiser shall not be possible for any

reason, then the Company shall approach and engage an investment bank that has at the relevant time the highest number of project finance deals completed with a value of higher than US$ 100,000,000 (one hundred million US Dollars), for conducting the valuation appraisal of the Company for purposes of effecting the Diluti**v**e Share Issuance, provided: (i) that the appointed investment bank has not been engaged by IEC and by the Controlling Shareholder (including any Person directly or indirectly affiliated with the Controlling Shareholder) in the past two years; and (ii) that the appointed investment bank shall undertake not to seek to perform any work for either IEC or for the Controlling Shareholder (including any Person directly or indirectly affiliated with the Controlling Shareholder) in the subsequent year; and (iii) that the appointed investment bank is not engaged by any competitor of the Company.

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The bona fide, arms length independent valuation appraisal made by the

appointed Appraiser or investment bank, as the case may be, shall be based on the parameters and dilution formula stipulated in **Schedule 6.7** hereof, and subject to the provisions of this Section 6.7, shall be binding on the Shareholders for purposes of effecting the Diluti**v**e Share Issuance.

6.8.

For the avoidance of doubt, it is clarified that due to the provisions of the

Government Resolutions as specified in the first paragraph of Section 6 hereof, any Financing Default on the part of IEC shall not constitute a breach of this Agreement and the sole and only consequence of any such Financing Default on the part of IEC, may be a Diluti**v**e Share Issuance subject to and in accordance with the provisions of Sections 6.6 and 6.7 hereof.

**7.**

**Minority Protection Rights**

For as long as IEC and/or any of its Permitted Transferees is a minority

Shareholder of the Company and for as long as (i) IEC and/or any of its Permitted Transferees shall hold 5% (five percent) or more of the issued Share capital of the Company, provided that IEC and the Controlling Shareholder, including any of their respective Permitted Transferees, are the only Shareholders of the Company; or

(ii) IEC and/or any of its Permitted Transferees shall hold 10% (ten percent) or more of the issued Share capital of the Company, if any third party (other than any Permitted Transferee), becomes a Shareholder of the Company; then - Resolutions on any of the following issues shall be made only by the Company's general meeting of Shareholders and shall require the affirmative vote and consent of IEC and/or its applicable Permitted Transferees:

7.1.

Affecting any dissolution, liquidation or winding-up of the Company,

including any merger, re-organization of the Company and/or the sale, dissolution or cessation of the majority of the Business, or the affecting of any material transaction similar to any of the aforesaid.

7.2.

Any material change in the Business, including the entry of the Company

into a material business activity that is outside the scope of the Business, or the cessation of a material business activity forming part of the Business.

7.3.

Any change in the capital structure of the Company, or any other action

which may encompass the dilution of IEC's Holdings in any Means of Control in the Company, including a resolution to raise capital from the Shareholders and the setting of the terms and conditions for such raising of capital, unless made subject to and in accordance with the provisions of the dilution mechanism as set in Section 6.5 hereof.

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7.4.

Any transaction between the Company and the Controlling Shareholder or

any Relative of the Controlling Shareholder, or any, directly or indirectly, Interested Party in the Controlling Shareholder, or any directly or indirectly Interested Party in any Person who is an Interested Party in the Controlling Shareholder, or a corporation in which the Controlling Shareholder or any of the aforementioned is, directly or indirectly, an Interested Party, as well as any transaction between the Company and any other Person in whom the Controlling Shareholder or any of the afore mentioned has a Personal Interest, directly or indirectly, provided that the overall aggregate financial volume of any such transaction, during any 12 (twelve) months period, whether consummated as a single transaction or as a series of transactions, exceeds the amount of NIS 1 (one) million.

7.5.

The appointment, discharge and replacement of the auditors of the

Company and of the internal comptroller of the Company.

With

respect of Section 7.4 hereof it is clarified that IEC's Interested Party

Transactions Notice (as defined in the Procedure), specifying the position of IEC

vis-à-vis any Interested Party Transaction presented and submitted by the Controlling Shareholder and examined By IEC, as was conveyed to the Controlling Shareholder in accordance with the provisions of Section 13.4 of the Procedure shall be attached as an annex to this Agreement, form an integral part hereof and shall apply and bind IEC only with respect of such terms conditions and details of any such Interested Party transaction which were presented and submitted by the Controlling Shareholder and examined by IEC.

Without derogating from the aforesaid, it is clarified that if IEC's position vis-à-vis

any such Interested Party Transaction has been that IEC cannot undertake to approve the same and may by virtue of the provisions of Section 7.4 hereof disapprove and block such Interested Party Transaction, the Controlling Shareholder shall be estopped from raising any claim whatsoever against the blocking by IEC of any such Interested Party Transaction, in accordance with the provisions of Section 7.4 hereof.

In addition and for the avoidance of any doubt, it is further clarified that if after the

Closing and incorporation of the Company, the Company's general meeting of Shareholders shall be required to approve any Interested Party Transaction which

(i) has not been presented, examined and approved by IEC in accordance with the provisions of Section 13.4 of the procedure, as shall be evidenced in IEC's Interested Party Transactions Notice that shall be appended hereto as an annex; or (ii) any of the terms and conditions thereof shall be materially different than those presented, examined and approved by IEC, in a manner that shall be deemed by IEC to have a material adverse effect on the advisability, worthiness and expediency of such Interested Party Transaction from the point of view of the Telecommunication Company or IEC, then IEC shall be entitled to disapprove and block any such Interested Party Transaction by virtue of the provisions of Section 7.4 hereof, and the Controlling Shareholder or any Interested Party therein, directly or indirectly, shall be estopped from and have no claim demand or cause of action against the Election Committee and/or the State and/or the Authority and/or IEC and/or against any Person acting on their respective behalf, in connection with such exercise by IEC of its rights under Section 7.4 hereof.

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For the avoidance of doubt, it is clarified that IEC shall not invoke its minority

protection right under Section 7.4 hereof, to disapprove and block any such Interested Party Transaction due to variation of the provisions thereof that are immaterial and which are not deemed by IEC to have a material adverse effect on the advisability, worthiness and expediency of such Interested Party Transaction from the point of view of the Telecommunication Company or IEC.

All of the provisions of this Section 7 shall apply mutatis mutandis to any subsidiary

of the Company.

**8.**

**Management of the Company**

8.1.

Board of Directors

8.1.1.

The Board shall consist of at least 5 (five) and up to 9 (nine)

directors.

8.1.2.

For as long as IEC and the Controlling Shareholder,

including any of their respective Permitted Transferees, are the only Shareholders of the Company and for as long as IEC is barred from Controlling the Company, and for as long as Controlling Shareholder shall Control the Company:

(a)

The

Controlling

Shareholder and/or

its

Permitted

Transferees shall appoint at least 3 (three) directors to the

Board and shall be entitled to appoint up to 5 (five) directors to the Board; and

(b)

The

Controlling

Shareholder

and/or

its

Permitted

Transferees shall be entitled to remove and replace any of

the directors appointed by it to the Board.

8.1.3.

For as long as IEC and the Controlling Shareholder,

including any of their respective Permitted Transferees, are the only Shareholders of the Company and for as long as IEC is barred from Controlling of the Company, and shall not Control the Company:

(a)

IEC and/or its Permitted Transferees shall be entitled to

appoint such number of directors to the Board that is one director less than the number of directors actually appointed to the Board by the Controlling Shareholder; and

(b)

IEC and/or its Permitted Transferees shall be entitled to

remove and replace any of the directors appointed by it to the Board; and

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Should IEC's and/or its Permitted Transferees' Holdings

in the Company fall below 10% (ten percent) of the issued Share capital of the Company, IEC and/or its Permitted Transferees shall not be entitled to appoint directors to the Board and the tenure of the directors appointed by IEC and/or its Permitted Transferees shall terminate.

(c)

8.1.4.

Subject to the provisions of Sections 8.1.1, 8.1.2 and 8.1.3,

hereof, it is clarified that - (i) if the Controlling Shareholder and/or its Permitted Transferees shall appoint 3 (three) directors to the Board, IEC and/or its Permitted Transferees shall be entitled to appoint up to 2 (two) directors to the Board; and (ii) if the Controlling Shareholder and/or its Permitted Transferees shall appoint 4 (four) directors to the Board, IEC and/or its Permitted Transferees shall be entitled to appoint up to 3 (three) directors to the Board; and (iii) if the Controlling Shareholder and/or its Permitted Transferees shall appoint 5 (five) directors to the Board, IEC and/or its Permitted Transferees shall be entitled to appoint up to 4 (four) directors to the Board.

8.1.5.

For as long as IEC and the Controlling Shareholder,

including any of their respective Permitted Transferees, are the only Shareholders of the Company, and for as long as IEC and/or its Permitted Transferees is entitled to appoint directors to the Board in accordance with the provisions of Section 8.1.3 hereof, the quorum required for the holding of a meeting of the Board and adoption of resolutions shall be the presence of at least one Director appointed by the Controlling Shareholder and one director appointed by IEC.

It is clarified that for purposes of a quorum, an alternate director

appointed by a by proxy duly made in accordance with the provisions of Articles of Association, shall have the same status as an appointed director.

If the quorum requirement set forth above was not met, the

meeting shall stand adjourned and a postponed Board meeting shall be held 7 (seven) calendar days after the date scheduled for the original meeting (or if such date is not a Business Day, then on the immediately next Business Day), at the same place and the same time. It is clarified that the presence of a single director, or any combination and number of directors present at any such postponed meeting will constitute a valid and legal quorum.

It is additionally clarified that no subject that did not appear on

the original convocation notice of the pertinent original Board meeting shall be discussed and/or resolved upon at any postponed Board meeting.

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8.1.6.

At any meeting of the Board, each director that attends such

meeting in person or by proxy duly made in accordance with the provisions of Articles of Association, shall be entitled to such number of votes equal to a number obtained by dividing: (i) the total number of Shares Held by the Shareholder who has appointed such director (the "**Appointing Shareholder**"), by (ii) the total number of directors appointed by such Appointing Shareholder who attend such meeting in person or by proxy duly made in accordance with the provisions of Articles of Association.

The Chairman of the Board shall be appointed by the Controlling

Shareholder but shall not have a casting or decisive vote.

Subject to all of the aforesaid, resolutions of the Board shall be

adopted by simple majority vote.

8.1.7.

The appointment or removal of a director shall be effected

by the delivery of a notice to that effect to the Company at its principal office, signed by the Shareholder entitled to effect such appointment or removal in accordance with the provisions of this Agreement. Any appointment or removal shall become effective on the date set out in such notice, or upon delivery of such notice to the Company, whichever is later.

8.1.8.

If and to the extent that the Board shall appoint Board

committees on any matter that the Board shall deem fit, then, for as long as IEC is entitled to appoint directors to the Board in accordance with the provisions of Section 8.1.3 hereof, any such

committee

shall

include at

least

1 (one)

director

or

representative appointed by each Founder and the composition

thereof shall maintain a majority of directors or representatives appointed by the Controlling Shareholder in accordance with the principle stipulated in Section 8.1.4 hereof.

**9.**

**Dividend Policy**

9.1.

Subject to the provisions of any applicable law and to the provisions of this

Agreement, the Company shall adopt a policy to distribute as Dividends to all of its Shareholders 100% of its Distributable Profits, as such terms are defined in the Companies Law (the "**Dividend Policy**").

9.2.

The decision to distribute a Dividend and the amount of any Dividend shall

be subject to the Board's discretion, taking into account the Company's requirements, business plans, financial capabilities and the following conditions: (i) the distribution will be lawful pursuant to the provisions of the Companies Law; (ii) the requirements of any agreements by which the Company is bound (including, without limitation, agreements with lenders, including Shareholders); (iii) the distribution is not made out of reserves, or capital, or equity required by law or which the Board determines in good faith are essential for the Company.

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**10.**

**Restrictions on Transfer of Shares**

10.1.

Transfer of Shares

10.1.1.

Except as permitted or required by this Agreement, and

subject to section 4.4 hereof, no Shareholder shall, directly or indirectly, sell, give, transfer, assign, or in any other way whatsoever dispose of (“**Transfer**”) any Shares owned by such Shareholder or any interest therein. Any purported Transfer in violation of this Agreement shall be null and void.

10.1.2.

Without derogating from the provisions of Section 10.1.1

hereof, other than by way of an IPO, or pursuant to the provisions of Section 10.2.7 hereof, or pursuant to the provisions of Section ~~15.8~~16.8 hereof, no Shareholder shall, directly or indirectly, Transfer any Shares owned by such Shareholder or any interest therein during a period of 3 (three) years from the date of signature of this Agreement by all of the parties hereof.

10.1.3.

Without derogating from the provisions of Sections 10.1.1

and 10.1.210.1.2 hereof, any Transfer of Shares shall be conditioned upon the execution by the transferee of a written undertaking whereby the transferee agrees to fully adhere to and observe all of the provisions of this Agreement, including section 4.4 above, and be deemed as a Shareholder under this Agreement.

10.1.4.

Notwithstanding any provision to the contrary in Section 10.1

hereof, a Shareholder shall have the right to Transfer all or part of its Shares to its Permitted Transferee, provided that (a) such Permitted Transferee has agreed in writing (i) to fully adhere to and observe all of the provisions of this Agreement, and (ii) to transfer such Shares to the Shareholder which Held such Shares initially in the event such Permitted Transferee ceases at any time to be a Permitted Transferee of such Shareholder, and

(b) such Shareholder shall *ipso facto* be deemed to have agreed to guarantee performance by such Permitted Transferee of its obligations pursuant to clause (a) and regain possession of all of the re-transferred Shares pursuant to the provisions of clause (a)(ii).

10.1.5.

Any Transfer of Shares shall be permitted only if it is in

compliance with any applicable law, including the provisions of the Government Resolutions, the Communication Law and the Telecommunication License. Without derogating from the generality of the aforesaid, and not withstanding any provision to the contrary in this Agreement (if at all), it is clarified that no Transfer shall be made to any Person who is barred from Holding any Means of Control in the Company pursuant to the cross ownership restrictions stipulated in the Government Resolutions (particularly set in clause 1(c) of the Government

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Resolution number 2024 as amended by clause 2(b) of the

government Resolution number 2949).

10.1.6.

The provisions of Section 10 hereof shall not apply to the

creation of a pledge on Shares to secure a debt in good faith, but will apply to any realization of such pledge and to the Transfer of such Shares in the process of such realization and any such pledge shall include provisions to that effect.

10.2.

Right of First Refusal.

10.2.1.

Subject to sections 10.1 above, for as long as IEC and the

Controlling Shareholder are the only Shareholders of the Company, if any Founder proposing to Transfer all or any of its Shares or other securities convertible into, or exercisable for Shares (the "**Seller**" and the “**Offered Shares**”, respectively), then the Seller shall first offer such Offered Shares to the other Founder (the “**Offeree**”) by sending the Offeree a written notice, stating therein the terms and conditions of such Transfer, including without limitation, the number of Offered Shares, the requested price each of the Offered Shares, the terms of payment and other applicable terms of sale of the Offered Shares (the "**Offer**"). An Offeree may accept the Offer only in respect of all of the Offered Shares by giving the Seller a notice to that effect within fifteen 15 (fifteen) Business Days after being served with the Offer notice (the "**First Refusal Period**"). A failure by an Offeree to accept the Offer in writing within the First Refusal Period, shall be deemed as a waiver by the Offeree of its right of first refusal in respect of the Offer for the purchase of the Offered Shares, as set in the Offer notice.

10.2.2.

If the Offeree has served the Seller with an acceptance

notice with respect of the Offer, within the First Refusal Period, then subject to section 10.2.3 below, the Offeree shall acquire the Offered Shares, on the terms and conditions stipulated by the Seller in the Offer notice.

10.2.3.

IEC (and any Permitted Transferee holding the Shares

previously owned by IEC) will be entitled to assign its right to acquire the Offered Shares pursuant to an Offer notice to any Eligible Investor, so that the Offered Shares will, subject to the provisions of Section 10.1 hereof, be acquired by such Eligible Investor and such Eligible Investor will be entitled to all of IEC's rights as an Offeree in accordance with this section 10.2.

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10.2.4.

If the Offeree shall reject the Offer or fail to serve, or

pursuant to Section 10.2.3 hereof procure that an Eligible Investor shall have served, the Seller with an acceptance notice within the First Refusal Period in respect of all of the Offered Shares on the terms and conditions stipulated by the Seller in the Offer notice, then the Seller, at the expiration of the First Refusal Period, shall be entitled to transfer all (but not any part) of the Offered Shares to a third party purchaser (the "**Buyer**"), provided, however, that in no event shall the Seller transfer the Offered Shares on terms more favorable to the Buyer than those stipulated in the in the Offer notice, and, *provided*, *further*, that if the Offered Shares are not transferred to a Buyer on the terms and conditions stipulated by the Seller in the Offer notice, within 100 (one hundred) calendar days after the expiration of the First Refusal Period, then the Transfer of the Offered Shares shall again be subject to the provisions of this Section 10.2.

10.2.5.

For the avoidance of doubt, it is clarified that should the

Seller at any point in time during the said 100 (one hundred) calendar days after the expiration of the First Refusal Period, wish to change the number of Shares constituting the Offered Shares, or to Transfer the Offered Shares or such different number of Shares on terms and conditions more favorable to the Buyer than those stipulated in the in the Offer notice, then the Seller shall be obliged to serve the Offeree with a new Offer notice, stipulating the newly offered terms and conditions for such Transfer and the provisions of this Section 10.2 above shall apply mutatis mutandis to such new Offer.

10.2.6.

The acquiring of the Offered Shares by the Buyer from a

Seller who is the Controlling Shareholder or a member thereof, subject to and in accordance with the provisions of this Section 10.2 above, shall be subject to the Buyer being an Eligible Investor and the terms and provisions of this Agreement, and in particular, without limitation, the provisions of Section 4.4 hereof, shall apply to and be binding on the Buyer as were applied to and binding on the Seller.

10.2.7. The provisions of Section 10.2 hereof shall not apply to the

transfer of Controlling Shares among shareholders of the Controlling Shareholder, or among any and all of the Persons comprising the Consortium Group, as the case may be, who shall be deemed Permitted Transferees.

It is clarified however, that any such transfer shall be subject to

the provisions of Section 10.1 hereof and it is further clarified that any portion of the Controlling Shares forming part of the Offered Shares that has not been transferred among shareholders of the Controlling Shareholder, or among any and all of the Persons comprising the Consortium Group, as the case may be, shall be subject to the provisions of Section 10.2 hereof.

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**11.**

**Preemptive Rights**

Subject to any applicable law and to the provisions of Section 7 above, Any

Shareholder who owns at least 10% (ten percent) of the issued and outstanding share capital of the Company (each, an "Entitled Holder") shall be entitled to preemptive rights to purchase its pro-rata portion of any New Securities (as defined below) that the Company may, from time to time, propose to sell and issue, other than on an IPO of the Company.

The pro rata portion of the Entitled Holders shall be the ratio of the respective

number of Ordinary Shares Held by each of them (on an as-converted basis) at the date of the Rights Notice (as defined in Section 11.2 below), to the sum of the total number of Ordinary Shares as of such date Held by all the Entitled Holders.

It is clarified that if the Controlling Shareholder shall be a Consortium Group, then

the purchase of the entire pro-rata portion of New Securities by it as an Entitled Holder, shall be subject to the provisions of Section 4.4 hereof.

Without derogating from the aforesaid, it is further clarified that all such purchased

New Securities by the Controlling Shareholder shall be Held by the Trustee and registered in its name, but may be allocated beneficially only among any and all of the Persons comprising the Consortium Group, including the Trustee, in accordance with the provisions of the Trust Agreement.

The preemptive right herein shall be subject to the following provisions:

11.1.

“**New Securities**” shall mean Shares, whether now or hereafter authorized,

and rights, options, or warrants to purchase Shares, and securities of any type whatsoever that are, or may become, convertible into Shares; *provided*, *however*, that New Securities shall not include:

Shares issued in connection with any stock split, stock dividend,

recapitalization or similar event by the Company;

(i)

Shares or options issued to employees, directors, officers and

consultants pursuant to a share purchase or share option plan approved by the Board and the Options and the Ordinary Shares underlying the Options (but subject to the provisions of Section 7 hereof);

(ii)

Shares or securities issued pursuant to the acquisition of another

legal entity by the Company or purchase of substantially all the assets of another legal entity; or

(iii)

Shares or securities that were issued due to exercise of warrants or

options or due to conversion of convertible securities if such warrants, options or convertible securities were issued as New Securities;

(iv)

11.2.

If the Company proposes to issue New Securities, it shall give the Entitled

Holders written notice (the “**Rights Notice**”) of its intention, describing the New Securities, the price, the general terms upon which the Company proposes to issue to them, and the number of New Securities that each of the Entitled Holders has the right to purchase under this Section 1111.

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Each Entitled Holder shall have 15 (fifteen) Business Days from delivery of

the Rights Notice (the “**Exercise Period**”) to agree, by way of a written notice served on the Company to that effect, to purchase all or any part of its pro-rata share of such New Securities, for the price and upon the general terms specified in the Rights Notice. Within 3 (three) Business Days from the termination of the Exercise Period, the Company shall give the Entitled Holders who exercised in full their preemptive right set forth herein (the "**Exercising Holders**"), a written notice of the number of New Securities regarding which preemptive rights remain unexercised, if any, by the other Entitled Holders.

Each of the Exercising Holders shall have 4 (four) Business Days

delivery of such notice to agree to purchase all or any part of the Securities offered to any such non-exercising Entitled Holders

from

New (the

"**Remaining New Securities**"), in each case for the price and upon the

general terms specified in the Rights Notice, by giving written notice to the Company setting forth the amount of Remaining New Securities to be purchased (the "**Over Allotment Notice**").

The Remaining New Securities shall be sold to the Exercising Holders who

provided the Company with the Over Allotment Notice, pro-rata amongst themselves, provided that no Exercising Holder shall be required to purchase more than the number of New Securities requested by it in its Over Allotment Notice; and

11.3.

if the Entitled Holders fail to exercise the right of preemption for the entire

amount of the proposed New Securities within the period or periods specified in Section 11.2, any New Securities regarding which preemptive rights were not exercised may be sold or issued by the Company within 90 (ninety) days after delivery of the Rights Notice, at a price and upon general terms no more favorable to the purchasers thereof than specified in the Rights Notice but provided that the designated purchaser or otherwise Holder of the same is an Eligible Investor.

If the Company has not sold the New Securities regarding which preemptive

rights were not exercised within the said 90 (ninety) day period, the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Entitled Holders in the manner provided above.

11.4.

Section 290 of the Companies Law shall not apply to the Company.

**12. Forced Sale**

The Founders agree and undertake that both until and after the Company shall

become a public company pursuant to an IPO in accordance with the provisions of Section 0 hereof, the Founders shall object to and shall not enforce any full acquisition offer of the Company's Shares whether pursuant to Section 337 or Section 341 of the Companies Law.

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**13.**

**IPO**

Controlling shareholder shall procure that the Company shall endeavor to publish a

prospectus that will enable an IPO and the listing of the Shares for trade on the Tel Aviv Stock Exchange Ltd., or on a Stock Exchange Abroad so that IEC will be able to sell its Shares, in all or in part, in compliance with any regulatory requirement to which IEC is subject, including under the Telecommunication License.

Without derogating from the foregoing, the Controlling Shareholder shall in

accordance with the Government Resolutions, procure that 10% (ten percent) of the shares of the Company shall be offered for sale to the public by way of an IPO, after and subject to fulfillment of the following condition: (i) the income of the Company, generated from Telecommunication Services rendered to its customers exceeds 20% (twenty percents) of the income generated from telecommunication services in the entire Israeli broadband infrastructure services market segment as defined and calculated in accordance with the provisions of the Telecommunication Licence; and (ii) 3 (three) years have passed from the date on which the Telecommunication Licence has been granted to the Company. For the avoidance of doubt, it is clarified that the aforesaid shall not derogate from the Company's right to offer shares of the Company to the public by way of an IPO before any of the aforementioned conditions is fulfilled.

**14.**

**Information Rights.**

14.1.

The Company shall prepare reviewed quarterly financial reports for each

quarter as well as an annual audited financial report for each year, in accordance with generally accepted accounting principles. In addition the Company shall prepare additional financial reports, as may be required in accordance with IEC's reporting needs, including, inter alia, annual financial reports and quarterly financial reports prepared in accordance with the regulations and instructions of the Israeli Government Companies Authority, the Securities Law and the accounting rules and policy implemented by IEC. The Company shall prepare any additional report, provide any additional data or implement other instructions, as required under any law applicable to IEC from time to time.

14.2.

The auditors of the Company shall audit or review (as applicable) the

Company's financial reports, as specified in Section 14.114.114.1 hereof and the Board shall approve the same. The financial reports shall be signed by at least two directors serving on the Board.

14.3.

Without derogating from the rights of the Company's Shareholders under

any applicable law, the Company shall provide to any Founder who Holds at least 5% (five percent) of the issued and outstanding share capital of the Company ("**Entitled Founder**"), annual and quarterly financial reports and rights for information. Without derogating from the generality of the aforesaid and without limitation, the Company shall provide to each Entitled Founder all of the following:

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14.3.1.

Annual financial reports of the Company for the preceding

calendar year, audited by the Company's auditors and prepared in accordance with the provisions of section 14.1 hereof, which shall be delivered to IEC by not later than the dates set to that effect by IEC from time to time.

Such dates shall be subject to changes, from time to time, in

accordance with IEC's needs and any change in the dates set for filing of its financial reports; the audit of the financial reports shall be conducted in accordance with generally accepted auditing standards applicable to IEC; and

14.3.2.

Quarterly financial reports of the Company reviewed by the

Company's auditors and prepared in accordance with the provisions of section 14.114.114.1 hereof, which shall be delivered to IEC by not later than the dates set by the IEC from time to time. Such dates shall be subject to changes, from time to time, in accordance with IEC's needs and any change in the dates set for filing of its financial reports; the review of the financial reports shall be conducted in accordance with generally accepted review standards applicable to IEC.

14.3.3.

A management report prepared in accordance with form and

content as shall be determined by the Board, and including, without limitation, monthly financial data, which shall be delivered by not later than 30 (thirty) days from the end of each calendar month.

14.3.4.

Notwithstanding any provisions of the Articles of Association,

if and to the extent required under any applicable law, or by any

governmental authority

(including

the

Israeli Securities

Authority), or in accordance with the opinion of the legal

counsels of any of the Shareholders, in connection with any Shareholder being a "Reporting Corporation" as defined in the Securities Law, and for purposes of inclusion of the Company's financial reports in the reports (including, financial reports) of

such

Shareholder,

the Company

shall

deliver

to

the

Shareholders, and agree to the publication, of any datum,

information, report, or detail and the Company and any of its Shareholders shall not have any claim or demand regarding the aforesaid.

In addition, the Company shall deliver to IEC, annual and

quarterly financial reports of the Company, prepared in accordance with IEC's needs as specified in section 14.114.1 hereof and in accordance with the requirements set in the Securities Law, including, inter alia, for compliance with the following reporting requirements:

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(a)

If the conditions set in the Securities Law for the

attachment of financial reports of an "Included Company" of a "Reporting Corporation" (as these terms are defined in the Securities Law) shall apply to IEC, then the quarterly and annual financial reports of the Company shall be attached to IEC's financial reports; and

(b)

If the conditions set in the Securities Law for the

inclusion

of summary

information

of

an

"Included

Company" of a "Reporting Corporation" (as these terms

are defined in the Securities Law) shall apply to IEC, then the Company shall deliver to IEC annual and quarterly summary information regarding the Company, which IEC is required to include in its financial reports.

(c)

If the Company shall carry out a valuation which will

serve as a basis for determining the values of data presented in its financial reports, or if IEC is required to carry out a valuation of its investment in the Company, and the conditions set in the Securities Law for the attachment of valuations shall apply to IEC, then such valuations shall be attached to IEC's financial reports.

14.4.

The Company

will permit an authorized representative of each Entitled

Founder, full and free access, at all reasonable times, and upon reasonable

coordination, to any of the properties of the Company, including its books and records, and to discuss its affairs, finances and accounts with the Company's officers and auditor, at such Entitled Founder’s expense.

In addition, the Company will make available to such Entitled Founder, with

reasonable promptness, such other information and data with respect to the Company, as such Entitled Founder may from time to time reasonably request at such Entitled Founder’s expense.

14.5.

If the annual general meeting of the Shareholders is not convened, then the

Company shall, once per year, send its financial reports to all of its registered Shareholders, by not later than the date on which it should have convened the annual general meeting of its Shareholders.

14.6.

If and to the extent required for IEC's needs, the Company shall implement

all the provisions of circulars issued by the Government Companies Authority from time to time, regarding financial reports (audited, reviewed, Budgets) and board of directors' reports.

14.7.

The Company shall comply and implement all provisions of the Income Tax

Rules (Ledger Keeping), 1973 and in the Value Added Tax Regulations (Ledger Keeping), 1976 and, in addition, shall file reports as required under the Income Tax Ordinance (New version), 1961.

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14.8. Any Entitled Founder may disclose such information as required under law,

including in its financial reports or any other information provided by it or disclosed by it to investors or to any regulatory authority or to the public, including without limitation any prospectus or any similar circular or memorandum published by it.

14.9. This Section 14 shall not limit any rights which the Founders may have

under applicable law. The Company's obligation to deliver the financial reports and other information under Sections 14.114.1, 14.2 and 14.3 shall terminate and shall be of no further force or effect upon an IPO.

**15.**

**Termination**

15.1. Subject to Section 15.2 below, this Agreement shall terminate on the earlier

of the date on which: (i) all Shares of the Company are Held by one and the same shareholder or a third party or (ii) the Founders mutually agree in writing that this Agreement is terminated.

15.2. In the event of termination of this Agreement, all obligations of the parties

under this Agreement shall terminate; provided, however, no party shall be relieved of any obligation that accrued prior to such termination or of any liability arising from any prior breach by such party of any provision of this Agreement.

**16.**

**Miscellaneous Provisions**

16.1.

Entire Agreement; This Agreement encompasses the entire agreement and

understanding of the parties in respect of the subject matters of this Agreement and supersedes all prior agreements and understandings among the parties hereto with respect to any and all such subject matters.

16.2.

The Company's Articles of Association. The parties hereof undertake to

ensure that the provisions of the Articles of Association shall not contradict the provisions of this Agreement at all times and that if, as a result of any amendment of the provisions of this Agreement, a corresponding amendment shall be required to be made in the Articles of Association, the parties hereto shall promptly take any action required in order to affect such required corresponding amendment.

Subject to and in accordance with the aforesaid, it is clarified that in the

event of any contradiction between the Articles of Association and the provisions of this Agreement, the provisions of this Agreement shall prevail and the parties hereof undertake to promptly take any action required in order to amend the Articles of Association accordingly.

16.3.

Amendments. This Agreement may be amended in whole or in part, only

through a written amendment unanimously executed by the Founders.

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16.4.

Governing Law and Jurisdiction. This Agreement shall be governed by, and

construed in accordance with, the laws of the State of Israel, without regards to the conflict of laws rules thereof. To the extent permitted by applicable law, the provisions of this Agreement shall supersede any contrary provisions of any applicable law. The courts in Haifa or in Tel-Aviv (and only them) shall have the sole and exclusive jurisdiction over all matters arising in relation to this Agreement.

To the extent the Controlling Shareholder does not reside in Israel, it

undertakes that it will appoint an agent for service of process located in Israel and shall keep such an agent during the term of this Agreement.

So long as the Controlling Shareholder does not deliver to IEC an

acceptance and acknowledgement of such an agent, in form and substance acceptable to IEC (including in the event that a former agent was discharged), the Company shall serve as such an agent and any proceedings served or filed by IEC at the Company shall be deemed to be served or filed with the Controlling Shareholder.

16.5.

Severability. In the event that any term or provision of this Agreement is

determined to be invalid or unenforceable, such provision shall be deemed severed from this Agreement and shall not render invalid or unenforceable the remaining terms and provisions of this Agreement, *provided*, *however*, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

16.6.

Counterparts. This Agreement may be executed in counterparts, each of

which shall be deemed to be an original, and all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

16.7.

No Third Party Beneficiaries. Except as otherwise specifically provided in

this Agreement, the provisions of this Agreement are not intended for the benefit of or to be enforceable by any third party and shall not give rise to any right or remedy on the part of any third party.

16.8.

Assignability. Except as otherwise specifically provided in this Agreement,

no party may assign any of its rights or obligations under this Agreement without the prior written approval of all other parties hereto.

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Notwithstanding the aforesaid, IEC shall be entitled to transfer and/or assign

and/or pledge this Agreement or any of its right and obligations under this Agreement, without having to obtain the prior written consent of any other party hereto, in the course of, or as a result of, any restructuring, reorganization, consolidation or merger of IEC or otherwise disposition of its assets by way of sale, privatization or otherwise, whether or not pursuant to the Electricity Sector Law and any and all rules or regulations promulgated there under, all as amended from time to time, the Israeli Governmental Companies Law, 1975 and any and all rules or regulations promulgated there under, all as amended from time to time and/or any governmental resolution to that effect or otherwise concerning the relevant assets of IEC and/or the Right of Use and Services Agreement, all of the foregoing in this sub-paragraph pursuant to a certificate issued by IEC, provided that with respect of such assignment and/or transfer of its rights and obligations under this Agreement to any single entity, or several entities, which will be nominated as successor of IEC:

16.8.1.

The assignee shall undertake to perform and abide by IEC's

obligations assigned to it, if at all and the provisions of this Agreement shall apply to the asignee as if it has been originally a party to this Agreement, to the full applicable extent; and

16.8.2.

The assignee shall have the licences, permits and

authorization required under any applicable law in order to perform and abide by all of the provisions of this Agreement pertaining to the right and/or obligations assigned to it, if at all and as the case may be.

If and to

the extent required by IEC, the Controlling Shareholder and

the

the the has

Company shall sign any document required in order to give effect to

consummation of any such assignment by IEC and shall abide by provisions of this Agreement vis-à-vis the assignee as if the assignee been originally a party to this Agreement, to the full applicable extent.

16.9.

Notices. All notices, claims, demands and other communications hereunder

shall be in writing and shall be deemed given if delivered personally, by telecopy, mailed by registered or certified mail (postage prepaid, return receipt requested), or delivered by internationally recognized courier to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Controlling shareholder:

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Address:

Fax:

Atten

tion:

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With copy to (which shall not constitute a notice):

Fax:

Attention:

If to IEC:

Address: 1 Netiv Ha'or St., Haifa 31000, Israel

Fax:

Attention:

With copy to (which shall not constitute a notice):

Herzog, Fox & Neeman

Address: Asia House, 4 Weizmann St., Tel Aviv, Israel Fax: +972-3-696-6464

Attention:

, Adv.

If to the Company:

With copy to (which shall not constitute a notice):

The parties hereto agree that notices or other communications that are sent

in accordance herewith (i) by personal delivery or by telecopy will be deemed received on the day sent (with electronic confirmation of receipt in the case of telecopy) or on the first Business Day thereafter if not sent on a Business Day or if sent after 17:00 on a Business Day, (ii) by registered or certified mail, will be deemed received ten (10) Business Days following the date sent and (iii) by internationally recognized courier, will be deemed received two (2) Business Days after deposit with such courier, if sent by overnight delivery.

16.10. Waiver. No right of any party hereto shall be prejudiced or restricted by an

indulgence of forbearance to any other party, and no waiver by any party in respect of any breach shall operate as a waiver in respect of any other, subsequent or previous, breach.

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Fax: Atten

tion:

Address:

Fax:

Attention:

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**IN WITNESS WHEREOF**, this Founders Agreement has been duly executed as of the

date first above written.

**ISRAEL ELECTRIC CORPORATION**

**LTD.**

**[THE CONTROLLING SHAREHOLDER]**

By:

By:

Name:

Name:

Title:

Title:

**[THE COMPANY]**

By:

Name:

Title:

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