

September 26, 2006

Mr. Ron Dermer
Minister for Economic Affairs
3514 International Drive, NW
Washington, DC 20008

Mr. Zvi Chalamish
Chief Fiscal Officer
Government of Israel
800 Second Avenue, 7th Floor
New York, NY 10117

Re: 2007 Retainer Agreement for the Economic Office

Dear Ron and Zvi:

We are very pleased that the Economic Office of the Embassy of Israel (the "Embassy"), has engaged Arnold & Porter (the "Firm") to provide legal services to it in connection with the economic and finance matters. The purpose of this letter is to set forth our mutual understanding as to the terms of this Agreement and the basis on which our fees and related expenses will be charged with respect to the above-mentioned engagement.

1. Term

The terms of this Agreement shall be for a period of one year commencing on January 1, 2007, and terminating on December 31, 2007. However, either party shall have the right to cancel this Agreement on 60-days prior written notice to the other.

2. Fee Calculation

The Firm will charge the Embassy for our legal and monetary services on the basis of a retainer in the amount of \$6,000 per month. We will review periodically with the Embassy our actual cost experience for providing the services under this Agreement, especially during the first few months of the retainer. Based upon that review, we would consult with the Embassy to examine whether any adjustments of the services performed or of the monthly retainer amount, upward or downward, would be appropriate taking into consideration any budgetary restraints on behalf of the Embassy.

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3. Special or Separate Projects

For special or separate projects that are outside the scope of the retainer, if given to us to conduct, we would charge you at our usual and customary hourly rates in effect at the time, less a ten- percent discount, exclusive of expenses.

4. Reimbursement for Expenses

The Embassy shall reimburse the Firm for reasonable expenses expended by the Firm in performance of its services, not to exceed \$8,000 for the period of one year, unless otherwise approved. The said out-of-pocket expenses will include domestic travel and transportation expenses (including subsistence expenses while on travel); charges for long distance telephone calls; overtime secretarial charges which were prior approved; express delivery and postage charges; duplicating charges; and any special computer, data-processing or similar expenses that are beyond the capacity of the Firm's existing system. It is understood that the Firm's international travel will have to be approved by the Economic Minister prior to their execution. Any such travel so approved will be reimbursed to us and will not be subject to the \$8,000 cap. We will bill you at cost for charges paid to third parties, and charges for internal services will be billed at the Firm's usual and customary rates for such services.

Although we do not currently contemplate taking such action, we would not contract with any consultants outside the Firm without the prior approval of the Embassy.

5. Statements for Fees and Expenses

On a regular basis, generally every month, the Firm will send you a statement covering our fee charges and expenses, providing all such reasonable back-up documentation. All such statements are due and payable within 30 days following your receipt of them.

* * *

If you have any questions about the terms of the engagement as described above, I hope you will feel free to raise them with me as soon as possible and, during the course of the engagement, I would hope that you will feel equally free to raise promptly with me any questions you have about our statements. If the terms of the engagement are

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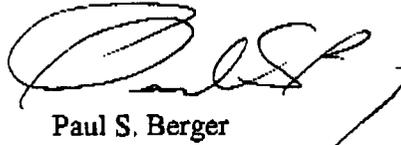
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acceptable to you, I would appreciate it if you would sign and return to me the enclosed copy of this letter, evidencing the agreement to these terms.

Once again, let me say how pleased we are that you have engaged Arnold & Porter in this matter.

Sincerely yours,

ARNOLD & PORTER


Paul S. Berger

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ACCEPTED AND AGREED TO:

THE GOVERNMENT OF ISRAEL

By:



RON DERMER
MINISTER FOR ECONOMIC AFFAIRS

11/21/06
Date


ZVI CHALAMISH
CHIEF FISCAL OFFICER

1/05/07
Date