

Incentive Program No.4 – Technological Incubators 2020

1. General

- 1.1 The Israel Innovation Authority (hereafter: "**The Innovation Authority**" or "**the Authority**") directly and indirectly supports and encourages technological innovation in the Israeli industry, by a variety of programs, funding tracks, incentive tools and actions.
- 1.2 The principal purpose of Incentive Program No.4-Technological Incubators 2020 (hereafter: "**The Incentive Program**") is to encourage investments in the early stages of technological projects, through the creation of an assistance and support array, that will accelerate the conversion of innovative technological ideas, found very early in the development stage, up to graduate startup companies ready for raising private capital investments.
- 1.3 Additional objectives of the Incentive Program: to encourage technological entrepreneurship and commercialization of breakthrough technologies by industrial research institutions; to incentivize Seed Investments in the innovative technological ecosystem in Israel, and thus to strengthen and advance the Israeli industry in particular, and the Israeli economy, in general, as well as support the startup companies in unique and complex technological endeavors, in the formation and validation of products; proving technological proof of concept; carrying out pilots, etc.
- 1.4 The Technological Incubators that will assist and support projects at their early stages will be established and operated by corporations having the ability, from the standpoint of their experience, to grant quality added value and support startup companies and entrepreneurs.
- 1.5 The concessionaires for the establishment and operation of Technological Incubators in this Incentive Program framework will be selected in competitive proceedings.
- 1.6 The support that is to be granted in the Incentive Program framework will be provided to the incubator companies that will operate within the support framework of the incubator.

2. Definitions

In this Incentive Program, the definition appearing in this section will be distinguished for the following terms, except if it is otherwise defined in the Innovation Law or in the Incentive Program. A term not explicitly defined in this Incentive Program, will be given the meaning pursuant to the Innovation Law.

2.1 **"Shareholder"**

A person or entity with a direct holding of shares of the proposer. If the proposer has been incorporated as a registered partnership, sections of this Incentive Program, related to shareholders will apply with the necessary changes to each of the limited partners and/or to the general partners.

2.2 **"Controlling shareholder"; "subsidiary"; "related company"; "associated company"; "control"**

According to their meaning in the Securities Law, 1968.

2.3 **"The Committee" or "the Research Committee"**

According to its meaning in Section 3 hereafter:

2.4 **"Concessionaire"**

An Incubator operator that has been selected through competitive proceeding by force of this Incentive Program and exercised the concession pursuant to the Incentive Program.

2.5 **"Incubator company"**

A Limited company, incorporated by law in Israel, and operating according to the State of Israel's laws, which is acting to implement and commercialize an incubator project by force of the Incentive Program.

2.6 **"Technology Transfer Office"**

A corporation incorporated in Israel that operates pursuant to the laws of the State of Israel and that is one of the two:

2.6.1 It is wholly owned by an Israeli research institution, and its principal activity is the commercialization of the technologies created in the framework of the academic research in that research institution;

2.6.2 A corporation whose principal activity is the commercialization of technologies created in an Israeli research institution; and for as long as it was approved by the Committee as a Technology Transfer Office for purposes of the Incentive Program, in special cases and for reasons that will be recorded.

2.7 **"Innovation Law"**

The Law for the Encouragement of Industrial Research, Development and Technological Innovation -1984.

2.8 **"Technological incubator" or "incubator"**

Technological entrepreneurship center, to operate by force of this Incentive Program, by a concessionaire selected by the Committee in a competitive proceeding, as specified in Section 4 hereafter.

2.9 "Entrepreneur"

Individual/s who wish to materialize an innovative technological idea and develop it into a commercial product in the framework of an Incubator Company.

2.10 "Research institution"

An Israeli research institution, or a foreign research institution, or a Technology Transfer Office.

2.11 "Israeli research institution"

Each one of these:

2.11.1 An institute of higher education, as this term is defined in the Innovation Law;

2.11.2 Hospital and health institution, as this term is defined in Section 21 of the Budget Foundations Law;

2.11.3 The Agricultural Research Administration;

2.11.4 An Israeli institution whose principal activity is academic research and development, in the sector of science or technology, having activities of technology transfer to industry, and for as long as the Committee approved it as a research institution for purposes of this program, in specific cases and for reasons to be recorded.

2.12 "Foreign research institution"

An entity not incorporated in Israel or operating pursuant to laws of the State of Israel, whose principal activity is academic research and development, in the sector of science or technology, having activities of technology transfer to industry, and whose inclusion in the approved plan is expected to provide a significant contribution to achieving its goals and for as long as the Committee approved it as a foreign research institution for purposes of this program.

2.13 "Match funding"

Funding for an approved plan provided by a non-governmental entity or by the Innovation Authority, directly or indirectly, supplements the grant to 100% of the approved budget.

2.14 "Research", "development", "plan"

As these terms are defined in the Innovation Law.

2.15 **"Grant"**

Funding that the Innovation Authority provides to the approval recipient, for the execution of an approved plan, within the framework of the approved budget.

2.16 **"Proposer"**

Corporation submitting a proposal to serve as a concessionaire in the framework of a competitive proceeding by force of this Incentive Program.

2.17 **"The approval recipient"**

One whose application was approved. Be it the technological incubator-as per Section 5 hereafter or the Incubator Company-as per Section 8.7 below.

2.18 **"Incubator project"**

Project approved by the Committee pursuant to this Incentive Program's provisions, based upon a plan - as this term is defined in the Innovation Law.

2.19 **"Industrial corporation"**

A corporation incorporated and registered by law in Israel operating pursuant to the laws of the State of Israel that executes research and development for commercial purposes.

2.20 **"Approved plan"**

A plan approved by the Committee for activities of the incubator, or an incubator project, pursuant to this Incentive Program's provisions.

2.21 **"Execution period"**

According to its meaning in Section 8.5 below.

2.22 **"Concession period"**

The period approved for the operation of a technological incubator by a concessionaire, during which applications may be submitted, to support new incubator projects in a technological incubator framework.

2.23 "Period of continued support"

The time from the end of the concession period until the end of the last Incubator Company's execution period operating in the incubator framework.

2.24 "Approved budget"

Amount of the approved plan's budget composed of the grant and the match funding that only includes recognized expenses approved by the Committee, pursuant to the relevant procedures to be set by it.

3. The Committee

3.1 Composition of the Committee

The Committee's composition will be the Research Committee that operates by force of Incentive Program No. 3 of the Innovation Authority-Technological Incubators.

3.2 Acting Chairperson of the Committee

3.2.1 One of the Committee members from amongst the Innovation Authority personnel, that the head of the Authority will appoint and the Director-General of the Authority will approve to serve as acting Director-General of the Authority in the role of acting Chairperson of the Committee.

3.2.2 An employee of the Authority as stated in Section 3.2 above may serve as acting Chairperson of the Committee, subject to providing advance written authorization of the Authority prior to the specific discussion by the Committee.

3.3 The functions and authorities of the Committee

The Committee is to serve as a Research-Committee (according to its meaning in the Innovation Law) for the purpose of this Incentive Program. The Committee has the authority to make any decision necessary to operate this Incentive Program (for as long as it does not contradict the provisions of the Innovation Law, its regulations, rules, procedures, and the provisions stipulated by force of it), and this includes:

3.3.1 To discuss every application and proposal submitted in the framework of this Incentive Program.

- 3.3.2 To evaluate proposals submitted in the framework of competitive proceedings for establishment and operation of Technological Incubators; to approve or reject proposals after evaluation of their compliance with the threshold conditions; to rank the proposals according to the criteria; to make contact and obtain clarifications regarding them; to select from them the concessionaires to operate the Technological Incubators; to approve the activation of the incubators and to determine conditions for their operation, including milestones and time schedules.
- 3.3.3 To carry out any activity to evaluate and assess the proposer's presentations, including in connection with the manner of operating the technological incubator and execution of its activities, including meeting its obligations.
- 3.3.4 To entirely or partially approve or reject, pursuant to Committee's procedures, any change that will be requested by the concessionaire to be made concerning the original application approved by the Committee.
- 3.3.5 To monitor the technological incubator's performances and decide whether to set conditions and milestones for the concessionaire's continued performance, cancel/ suspend a concession, or suspend the concessionaire's support, pursuant to the provisions of Section 14 hereafter.
- 3.3.6 To evaluate approval or rejection of an extension period for the concession period, pursuant to procedures determined by the Committee.
- 3.3.7 To decide regarding approving plans in the framework of the Innovation Authority's budget after examining and evaluating compliance with the threshold conditions according to the criteria. This includes setting prerequisites for their approval and conditions for executing them - including milestones and time schedules. The Committee will evaluate the commercial conditions' fairness in agreements between the incubator and the Incubator Company.
- 3.3.8 To decide regarding approval of the plans submitted pursuant to Sections 7 and 8 hereafter and determine the approved budgets and the grant rates to be given.
- 3.3.9 To entirely or partially approve or reject any change requested to be made in the approved plan. It is made clear that Section 8.6 - hereafter will apply to any modifications of the plan, with the necessary adjustments.
- 3.3.10 To monitor the execution of an approved plan and decide whether to set additional conditions and milestones for it.

- 3.3.11 To approve any period extensions, for the execution of an approved plan, without a budgetary addition, until the complete utilization of the approved budget.
- 3.3.12 To approve any period shortenings for the execution of an approved plan if the approved budget has been fully utilized and the approved plan's goals have been achieved.
- 3.3.13 To cancel or to suspend support to the approved plan.
- 3.3.14 To approve an additional budget for special activities and exceptional cases in the Incubator's activities and the incubator project, pursuant to procedures that the Committee will determine.
- 3.3.15 To set and publish procedures for execution of this Incentive Program.
- 3.3.16 To initiate surveys, research, and all other activities that could support in the activation of this Incentive Program.

3.4 **Compensation**

The public representative members of the Committee will be entitled to compensation for their participation in meetings of the Committee, this pursuant to a procedure that will be determined by the Innovation Authority Council for this purpose.

4. **Competitive proceedings for selection of concessionaires for establishment and operation of technological incubators**

4.1 **General**

- 4.1.1 A concessionaire for the operation of a technological incubator will be selected by the Committee in a competitive proceeding, pursuant to what is specified below (hereafter: "**(the) competitive proceeding**" or "**the proceeding**").
- 4.1.2 From time to time, the Authority will publish on its Internet portal a **public call** - a designated call to the public to submit proposals to serve as concessionaires by force of this Incentive Program (hereafter "**notice of the competitive proceeding**"). This published notice will specify, among other things, the maximum number of concessionaires that the Committee is permitted to approve in the competitive proceeding.
- 4.1.3 The Innovation Authority will be permitted to give preference to selected technological sectors, which will also be included in the notice of the competitive proceeding.

- 4.1.4 The notice of the competitive proceeding will specify the last date for submitting the proposals. That date may be updated, pursuant to a notice to be published in the Internet portal of the Authority, for as long as the last date has not passed. All proposals submitted until the last date for submitting proposals for the competitive proceeding, will be brought before the Committee. These will be evaluated one against the other, pursuant to the allotted budget. Proposals submitted after the last date will be rejected outright.
- 4.1.5 The competitive proceeding will be open to any entity subject to its compliance with the threshold conditions specified in Section 4.3 hereafter.
- 4.1.6 In the framework of the competitive proceeding, questions and requests for clarifications regarding the proceedings are permitted (hereafter, together in this Section: "**questions for clarification**"). Questions for clarifications are acceptable up to the date stated in the competitive proceeding notice, or a later date - as will be updated in the Authority's Internet portal. The Authority reserves its right, at its exclusive discretion, to reply to questions presented after this date, when there will be special circumstances that will justify it. Response to the questions for clarification will be published on the Innovation Authority's Internet portal, up to a date published in advance, without exposure of the identity of the presenters of the questions – to the possible extent. The Authority has discretion as to revealing the substance of the questions. The response to questions of clarification will be an integral part of the competitive proceeding. It is made clear that only replies submitted in writing and published on the Internet portal of the Authority will be binding.

4.2 Manner of submitting the proposal

- 4.2.1 A proposal to serve as a concessionaire will be submitted to the Innovation Authority, in the framework of the competitive proceeding, on a designated form, prepared according to the rules and the procedures that the Committee has determined or will determine from time to time. It will include all of the details necessary pursuant to this Incentive Program's provisions, procedures, rules and the provisions by force of it, and the competitive process notice. The proposer will attach to his proposal all of the required documents pursuant to this Incentive Program, its procedures and its appendices.
- 4.2.2 The forms for submitting a proposal for the competitive proceeding will be available for download from the Authority's Internet portal.

4.3 Threshold conditions

Within the framework of this Incentive Program, the proposer must comply, to the Research Committee's satisfaction, with all of the following threshold conditions, **on a cumulative basis**. Therefore, it is hereby clarified that the threshold conditions must be complied with on the date of submitting the proposal and throughout the entire concession period and extension period (if there is one). It should also be clear that any non-compliance with one of the threshold conditions is to disqualify the entire proposal or cancel the concession, whatever the case may be.

- 4.3.1 The proposer is a corporation lawfully incorporated and registered in Israel and operates pursuant to the laws of the State of Israel for purposes of profit.

To prove compliance of the proposer with this threshold condition, the proposer must attach a copy of the certificate of incorporation to his proposal.

- 4.3.2 The proposer has financial resources and commitments vis-a-vis the Innovation Authority concerning the availability of financial resources in the scope of at least NIS 50 million for the benefit of the incubator and the Incubator Companies, for the length of the concession period.

For purposes of proving compliance of the proposer with this threshold condition, the proposer must attach to his proposal a signed declaration by authorized signatory/signatories of the proposer, verified by an attorney, in a format to be determined in the Incentive Program's procedures.

- 4.3.3 The proposer has a professional team designated for incubator management that includes a full-time CEO and at least one deputy CEO in the business development sector or technology in a full-time position.

For purposes of proving compliance of the proposer with this threshold condition, the proposer must attach to his proposal a resume of each one of the designated personnel of the team, as well as an employment agreement or an agreement in principle concerning future employment for at least 3 years, signed by each one of the above team personnel.

- 4.3.4 The total scope of direct or indirect holdings, by shareholders, in the proposer, of non-profit entities, local authorities, and academic or non-academic research institutions, will not exceed 33% (fully diluted). They will not be controlling shareholders of the proposer, either together or separately.

For purposes of proving compliance of the proposer with this threshold condition, the proposer must attach to his proposal a signed declaration by an authorized signatory/signatories of the proposer, verified by an attorney, in a format to be determined in the Incentive Program's procedures.

- 4.3.5 A shareholder of the proposer, the proposer itself or a subsidiary/related company/associated company/owned company of a company controlled by the proposer or of the proposer's shareholder, will be a controlling shareholder in not more than two incubators operating by force of this Incentive Program and/or Incentive Program No. 3 of the Innovation Authority - Technological Incubators and/or Incentive Program No.22 of the Innovation Authority - Biotechnological Incubators and/or Incentive Program No. 29 of the Innovation Authority - Technological Innovation Labs and/or Incentive Program No. 39 of the Innovation Authority - Entrepreneurship Incubators in the Periphery.

For purposes of proving compliance of the proposer with this threshold condition, the proposer must attach to his proposal a signed declaration by an authorized signatory/signatories of the proposer, verified by an attorney, in a format to be determined in the Incentive Programs' procedures.

- 4.3.6 The proposer or one of its shareholders is not an owner of restricted accounts and is not in the process of receivership, freezing of proceedings, liquidation, etc.

For purposes of proving compliance with this threshold condition, the proposer must attach to his proposal a signed declaration by an authorized signatory/signatories of the proposer, and each of its shareholders verified by an attorney, according to which none of them is an owner of a restricted account, and is not in the process of receivership, freezing of proceedings, liquidation, etc.

- 4.3.7 The proposer and its controlling shareholder comply with the Industrial Research and Development Regulations (Conditioning of Approvals - Minimum Wage), 2011.

For purposes of proving compliance with this threshold condition, the proposer must attach to his proposal a signed declaration by an authorized signatory/signatories of the proposer, and of each of its shareholders verified by an attorney, according to which the proposer and its controlling shareholders have fulfilled their obligation regarding maintenance of the rights of personnel employed by the proposer pursuant to the Minimum Wage Law, - 1987, and that they are committed to continuing to maintain such rights throughout the entire approval period, according to a format to be determined in the Incentive Programs' procedures.

- 4.3.8 No financial support was received from a governmental entity or the Innovation Authority to execute the proposed activities, directly or indirectly, that was not according to this Incentive Program's provisions.

For purposes of proving compliance of the proposer with this threshold condition, the proposer must attach to his proposal a signed declaration by an authorized signatory/signatories of the proposer, verified by an attorney, in a format to be determined in the Incentive Programs' procedures.

4.4 **Criteria**

The Committee will evaluate and consider only the proposals that have passed the threshold conditions. It will assess their quality and rank them pursuant to the following criteria.

4.4.1 **Scope and quality of the experience of the proposer and/or of its shareholders (20%)**

The score of this criterion will be given according to the Committee's impression from the scope and quality of the proposer's experience and each of its shareholders while considering the holdings' rate in the proposer. Preference will be given to the shareholders' experience with technological companies in the proposed technological sector of the incubator, while considering the potential of the technological sector for which the experience was presented. Furthermore, preference will be given to the shareholders' experience with startup companies. Among other things, in the framework of this criteria, evaluation will be made and consideration will be given to -

- 4.4.1.1. Number of the technological companies in which the proposer and/or its shareholders have performed due diligence examinations and the extent of their involvement in the examinations.
- 4.4.1.2. The total amount of the investments made by the proposer and/or its shareholders, the number of technological companies in which the investments were executed and the number of times they acted as Lead Investor.
- 4.4.1.3. The number of technological companies to which the proposer and/or its shareholders provided guidance and support and the extent of their involvement in the process.
- 4.4.1.4. The number of technological companies with which the proposer and/or its shareholders created business ties, the number of partners/ customers with which the connection was made, the level of involvement by the proposer and/or its shareholders in the process of creating these ties, and the quality of the ties.

4.4.1.5. The number of commercialization transactions from industrial research institutions in which they were involved, the extent of their involvement, and the role that they filled in the transactions.

4.4.2 The added value of the proposer and its shareholders (20%)

The score for this criterion will be given according to the Committee's impression from the anticipated added-value of the proposer, and each of its shareholders, to the incubator companies, while considering the rate of holdings in the proposer and the proposed technological sector of the incubator, in the following manner:

- 4.4.2.1. Priority will be given to more than one of the proposer's shareholders while considering integrating complementary abilities between the shareholders of the proposer and the extent of the involvement and the contribution of each in the incubator.
- 4.4.2.2. Priority will be given to the high added-value of the proposer and its shareholders to the Incubator Companies, both in the course of the execution period of the Incubator Companies in the framework of the Incubator as well as in connection with graduate Incubator Companies.
- 4.4.2.3. Priority will be given to a plan that will present broader support, be more diversified, and be more qualitative for the Incubator Companies.
- 4.4.2.4. Priority will be given to a broader scope and a higher quality of business and strategic partnerships of the proposer and its shareholders with other entities.
- 4.4.2.5. Priority will be given to a larger number and higher quality of the board of directors' members, the investments committee, and the advisory committee of the proposer while considering the extent of the shareholders' involvement in the decision-making processes.
- 4.4.2.6. Priority will be given to a building of an incubator with more space and better conformity of the building, the infrastructures, and the location of the proposed activities of the incubator (including an intention for future investment in a building and infrastructures for the benefit of the Incubator Companies).

4.4.3 **Scope and quality of the experience of the proposer's management team (20%)**

The score of this criterion will be given according to the Committee's impression of the scope and quality of the proposed team's experience with technological companies, within the framework of the team personnel's work for the proposer or other entities, including the proposer's shareholders. Preference will be given to work with technological companies in the Incubator's proposed technological sector while considering the technological sector's potential in which the experience was presented. Furthermore, preference will be given to experience with startup companies.

- 4.4.3.1. Priority will be given to many technological companies for which Due-Diligence examinations were performed, and these Due-Diligence examinations' scope and quality.
- 4.4.3.2. Priority will be given to many technological companies to which technological and business guidance and support have been given and the scope and the quality of guidance and support.
- 4.4.3.3. Priority will be given to many technological companies to which support has been provided in raising capital from external investors and to the scope and quality of the support in capital raising.
- 4.4.3.4. Priority will be given to many technologies commercialized from industrial research institutions
- 4.4.3.5. Priority will be given to a designated incubator CEO with several years of more significant experience in managing investment entities and/or technological companies while considering the number of companies and the quality of the experience. Preference will be given to experience in the proposed technological sector.
- 4.4.3.6. Priority will be given to a proposer that presents a more extensive professional team with a broader scope of functions, encompassing more aspects relevant for establishing and guiding startup companies.

4.4.4 **The proposer's business plan (20%)**

Scoring this criterion will be done according to the Committee's impression of the proposer's business plan, its scope, quality and applicability.

- 4.4.4.1. Priority will be given to a narrower variety of technological sectors in which the incubator will invest, and preference will be given to a larger number of Incubator Companies that it is planned to create in a year.
- 4.4.4.2. Priority will be given to technological sectors with a higher risk level and Incubator Companies with a higher technological risk profile.

- 4.4.4.3. Priority will be given to a plan that will present a broader variety of Deal Flow sources for locating projects (research institutions, etc.) and a more qualitative marketing plan to attract entrepreneurs and employees to the incubator.
- 4.4.4.4. Priority will be given to a proposer that will present an orderly plan for transferring technology from research institutions to Incubator Companies.
- 4.4.4.5. Priority will be given to a more professional and strict project screening process and a plan that will present a professional follow up and control strategy over the Incubator Companies.
- 4.4.4.6. Priority will be given to a plan that will present continuing investments execution policies, in more graduate Incubator Companies, for a higher amount and such investments where the proposer or its shareholders intend to be a Lead Investor. Preference will be given to a proposer that will present a defined tool for continuing investments in graduate Incubator Companies such as an independent fund.

4.4.5 **Funding sources of the proposer (10%)**

Scoring for this criterion will be given according to the Committee's impression of the proposer's funding sources, the uses, financial strength, and financing sources' stability.

- 4.4.5.1. A proposer presenting financing sources and commitments vis-a-vis the Innovation Authority concerning the scope and availability of the financing sources of at least NIS 150 million, for the benefit of the incubator's activities and investment in Incubator Companies, as well as the highest liquidity of the financing, will receive a maximum score for this Section.
- 4.4.5.2. Preference will be given to a proposer that will present a tool for continuing investments in Incubator graduate Companies.

4.4.6 **General impression of Committee members (10%)**

The scoring for this criterion will be given according to the Committee members' general impression of the proposer and the proposal. The Committee is permitted, upon its discretion, to invite the proposers to present the proposal before the Committee members.

4.5 **Evaluation of the proposals by the Committee and selection of the winning proposal/s**

- 4.5.1 In each stage of proposals' evaluation, the Committee will be permitted to be assisted by an opinion of different entities in the Innovation Authority and/or external entities, including professional examiners' opinions on behalf of the Innovation Authority.
- 4.5.2 The Research Committee or someone on its behalf will be permitted, during the examination and the assessment of a proposer, to make contact with a request to obtain clarifications or request additional information and documents necessary to evaluate the proposal. The proposer will submit to the Authority or to anyone authorized on its behalf any additional information and document that will be requested to evaluate the proposal. The proposer's additional information as above will be considered an integral part of its proposal and will obligate it.
- 4.5.3 The Committee is permitted not to consider any unreasonable proposal.
- 4.5.4 The Committee is not obligated to finish the selection proceeding of the winning proposal/s and select a concessionaire/s within a specific period. Still, if the selection proceedings have not terminated after 180 days from the last date for submitting the proposals, the proposer will be permitted to cancel the proposal. Notice of cancellation of a proposal to obtain a concession to operate a technological incubator will be transferred in writing to the Innovation Authority.
- 4.5.5 After evaluating the proposals, the Committee will make a decision regarding the winning proposal/s in the competitive proceeding, pursuant to the proposal/s graded with the highest marks in the framework of the criteria specified in Section 4.4 above.
- 4.5.6 Notices regarding such decisions of the Committee will be sent to all of the proposers.
- 4.5.7 Without detracting from what is stated above, and from any relief or right provided to the Innovation Authority: the proposal/s (one or more - pursuant to the Committee's decision), the holder/s of the highest score among the proposals that did not win in the competitive proceeding, will be effective during an additional 180 days after the end of the competitive proceeding. This for a case in which the winning proposer will recant on its proposal or will breach its obligations, or in any case that the winning proposer will not realize the win. Under such circumstances, the Committee will be permitted (but not required) at its exclusive discretion, to declare the proposal in the ranking score as substitute winner in the competitive proceeding.

4.5.8 The Committee is not obligated to select any concessionaire if this is required to assure the maximum advantages to the Innovation Authority. In the above case, or if no proposal was submitted in the competitive proceeding framework, it is possible to proceed with a new competitive proceeding.

4.6 The right to review the winning proposal and the Committee's protocol

4.6.1 In the framework of submitting the proposal, the proposer who believes that parts of its proposal include commercial secrets and/or business secrets (hereafter: "**confidential parts**") which, in its opinion, their review should not be possible for other proposers in the framework of a competitive proceeding, should:

4.6.1.1. State explicitly, in a separate list, what are the confidential parts in its proposal, and to rationalize its position.

4.6.1.2. Attach an additional copy to its proposal that includes the parts that it agrees to reveal to the other proposers, i.e., the confidential parts of its proposal are blackened out in a clear and unequivocal manner. For the record, no parts of the proposal should be left out, but parts that are confidential – in the proposer's opinion - should be blackened out.

4.6.2 A proposer that did not mark parts of his proposal as confidential, upon submitting the proposal in the competitive proceeding framework will be considered to have agreed to submit the entire proposal for other proposers' review if declared the winner in the competitive proceeding. Marking parts of the proposal as confidential represents an admission that parallel parts of the proposal are confidential in the proposals of the other proposers as well. Therefore, the proposer waives the right for review in advance of similar elements of proposals of the other proposers; this is also if the Committee decides that blackened parts are not confidential in its judgment, as specified in Section 4.6.4 hereafter.

4.6.3 A proposer requesting to review documents of the competitive proceeding (hereafter in this 4.6 section: "**the requester**") will submit the request to the Innovation Authority within 10 working days from the date of submitting the notice regarding the Committee's decision on the winner/s in the competitive proceeding in which it participated.

- 4.6.4 The exclusive discretion regarding the scope of the requester's review right is that of the Committee. Should the Committee decide to permit review of blackened parts in the winning proposal, even if the winning proposer defined them as confidential, the Committee shall give advance notice of same to the winning proposer, and will permit an objection within a specified time frame befitting the circumstances, according to its discretion. If the Committee decided to reject the winning proposer's objection, the Committee will give notice of this to the winning proposer prior to submitting the material for the requester's review.
- 4.6.5 The Committee will permit the requester only to review the allowed material - according to its meaning below, in a scope that it will determine.
- 4.6.6 For purposes of this Section: "**the documents permitted to be reviewed**"-means, subject to what is stated in this Section 4.6 - Committee's protocol for selection of a winner, or winners, and documents of the winning proposal/s in the competitive proceeding in which the requester participated.
- 4.6.7 Subject to what is stated in this Section 4.6, the right of the review will not apply to parts of the winning proposal and/or the Committee's protocol, representing information not to be submitted or where there is no obligation to submit it, pursuant to what is determined in Section 9 of the Freedom of Information Law, 1998.

5. Letter of approval and concession period

- 5.1 A proposer whose proposal to serve as a concessionaire won in a competitive proceeding will be required to sign a letter of commitment, in a format to be determined by the Committee.
- 5.2 The concession will become effective after the Innovation Authority's signature on the letter of approval, which will include the conditions stipulated for operating the concession.
- 5.3 If a concessionaire selected to operate a technological incubator does not begin to fulfill its commitments, including signing a letter of commitment as stated in Section 5.1 above, within six months from the date of the official notification of the Committee's decision on its selection, and this after receiving notice of failure to fulfill its commitments, and not correcting what requires correction as per the Committee's demand, within 45 days from the date of the notification; the Committee will be permitted, in its exclusive discretion, to cancel the selection of that concessionaire, or to select a substitute concessionaire, ranked lower in the competitive proceeding, according to the ranking order of the competitive proceeding.
- 5.4 The length of the concession period will be 5 years from the date approved by the Committee as the date of start of the concession, at most, except if the Committee will approve an extended period - as specified in Section 5.5 hereafter.
- 5.5 **Extension of the concession period by 3 additional years:**
 - 5.5.1 During the fifth concession year, the concessionaire will be permitted to submit an application for extension of the concession for 3 additional years (hereafter: "**the extension period**").
 - 5.5.2 To submit an application for an extension of the concession as stated above, the concessionaire must comply with all of the threshold conditions in Section 4.3 above.

Despite the aforesaid instead of what is required in Section 4.3.2 above; for approval of concession period's extension, the concessionaire must present funding sources and a commitment, vis-a-vis the Innovation Authority, concerning the scope and availability of those funding sources in an amount of at least NIS 30 million, for the benefit of the incubator's activities and as an investment in Incubator Companies throughout the extension period.
 - 5.5.3 The decision regarding the extension of the concession period will be subject to the exclusive discretion of the Committee.
 - 5.5.4 The Committee will be permitted to set conditions for the extension of the concession period, at its exclusive discretion.

6. Obligations and rights of the concessionaire

6.1 Obligations of the concessionaire

- 6.1.1 To operate an incubator providing a supportive framework, having an appropriate team and means, and allowing entrepreneurs to develop Incubator Companies in its framework.
- 6.1.2 To be responsible vis-a-vis the Innovation Authority for the Incubator's activities' professional and efficient operation.
- 6.1.3 To employ a CEO for the incubator with relevant experience in a full-time position and at least one deputy CEO in the business development or technological sector in a full-time position throughout that entire concession period.
- 6.1.4 To act to create Incubator Companies or to locate existing projects, including commercialization of technology from research institutions in high-risk technological sectors, and subsequently to examine and to select projects appropriate for operation in a technological incubator.
- 6.1.5 To support Incubator Companies in preparation of a business plan, to become organized and to operate as an independent business company, to provide Incubator Companies with technological and business instruction and guidance on a daily basis, to assist Incubator Companies to gain access to strategic partners, experts, service providers, customers and potential investments.
- 6.1.6 To invest the match funding in Incubator Companies, pursuant to this Incentive Programs' provisions, in consideration of the Incubator Companies' shares. An entrepreneur will not participate in the match funding, although it is permitted, but not obligated, to invest in the Incubator Company over and above the approved budget.
- 6.1.7 To assist graduate Incubator Companies meeting the Incubator's criteria to raise capital for the continuation of their operations.
- 6.1.8 If necessary - provide the Incubator Companies and their entrepreneurs with a workspace during their execution period.
- 6.1.9 If necessary - allow Incubator companies access to the following consulting services in : accounting and financial consulting, legal consulting, patent consulting, quality control, regulation, pre-clinical and clinical experiments.
- 6.1.10 To comply with all of the conditions and milestones set by the Committee for the incubator - if they exist.
- 6.1.11 To report as required by force of this Incentive Program and the procedures to be enacted by force of it, concerning the incubator and the Incubator Companies.

- 6.1.12 To receive in advance approval from the Committee for changes that the concessionaire requests to make concerning its original proposal or to the revised proposal that the Committee approved, including changes made in the composition of the incubator's shareholders and their holding percentages in the technological sector of the incubator and the professional team of the incubator, pursuant to the rules to be determined by the Incentive Programs' procedures.
- 6.1.13 To continue to finance the Incubator Companies and support them, in parallel to the Innovation Authority's support, during the period of the continued support as well, in a scope that is not less than the support during the concession period.

6.2 Rights of the concessionaire

- 6.2.1 The concessionaire is permitted to receive shares in an Incubator Company, in consideration for his support of the Incubator Company in the framework of this Incentive Program, and the investment of the match funding. The Committee will evaluate the commercial terms' fairness in agreements between the concessionaire and the Incubator Company.
- 6.2.2 The concessionaire is permitted to support graduate Incubator Companies, and participate in follow-on investments, both in the framework of other Incentive Programs of the Innovation Authority and in other frameworks, for as long as these investments will not be at the expense of the number of new Incubator Companies, supported by them throughout the concession period.

7. Principles of support for a technological incubator

The innovation Authority will participate in funding the acquisition of equipment for a central laboratory for a technological incubator, with a grant up to NIS 2,000,000, representing 50% of the approved budget for the concession period, as will be determined in the Incentive Programs' procedures.

8. Principles of support for an Incubator Company

- 8.1 An entrepreneur or an industrial corporation requesting a supportive framework will contact a technological incubator operating by force of this Incentive Program with a proposal for an incubator project.

. In case the incubator is interested in such a proposal, the entrepreneur or the industrial corporation will submit an application to the Innovation Authority for approval of an incubator project, with the Incubator's approval.

It is hereby made clear, that an Incubator's support is necessary for submitting an application for an incubator project and that an application for an incubator project cannot be submitted without such support.

- 8.2 Submitting applications for receipt of a grant will be possible throughout each year, pursuant to provisions and rules stated in the program's procedures.
- 8.3 In every period, as published in the portal, all of the applications that have arrived and were ready for discussion until that date will be brought before the Committee. They will be evaluated pursuant to what is stated in the Incentive Program and according to the allotted budget.

8.4 Manner of submitting an application

8.4.1 An application to receive a grant will be made subject to and pursuant to the provisions, rules, and procedures of this Incentive Program, and according to the conditions specified on the Authority's Internet portal.

8.4.2 An application to receive a grant will be submitted to the Innovation Authority on a designated form, prepared according to the rules and procedures that the Committee has determined, or will determine from time to time, including a declaration regarding the location of manufacturing and the added value of the incubator and including details of the owners of the rights to technology derived from research and development as per an approved plan and any right resulting from it, and it will be accompanied by additional documents, as per the demand of the Committee or an entity that it has authorized.

8.4.3 The forms for submitting an application to receive a grant will be available for downloading from the Authority's Internet portal.

- 8.4.4 The full-and-complete application will be submitted to the Innovation Authority, with the attachment of all relevant and required information and documents. As for applications submitted after the last date for submitting applications, if one was determined, or applications with material deficiencies, as specified in the program's procedures, no file will be opened in the Innovation Authority's systems, and the applications will not be brought for discussion in the Research Committee.
- 8.5 An application to receive a grant will be submitted as a file for an execution period of up to 12 or 24 months, as determined by the Incentive Programs' procedures.
- 8.6 Examination of the application**
- 8.6.1 The application and the applicant must comply with the Research Committee's satisfaction, with all of the following threshold conditions on a cumulative basis. It is made clear and emphasized that the threshold conditions must be complied with on the date of submitting the application and throughout the entire period of execution of the Approved Plan and that it is sufficient that non-compliance with one of the following threshold conditions will lead to the disqualification of the entire application or cancellation of the Approved Plan.
- 8.6.1.1. The applicant is an entrepreneur or an industrial corporation or an Incubator Company, or the technological incubator that submitted the application for support of research and development.
- 8.6.1.2. The subject research-and-development of the plan, with all of its components, will be performed in Israel, by Israeli residents, except if the Research Committee is convinced, for reasons that will be recorded, that it is essential for performance of the plan, that part of it will not be performed in Israel or by Israeli residents.
- 8.6.1.3. Research-and-development in the framework of an approved plan will be performed by the applicant, or by one whom the applicant stated in the plan that performance of the research-and-development, or part of them, will be transferred for its performance, or by someone approved according to Section 3.3.8 above.
- 8.6.1.4. The applicant has committed that it will be the owner of the technology that will result from the research and development according to the approved plan and any right derived from it, including intellectual property rights, from the moment that they are created. In an application that includes joint ownership of technology, as this term is defined in Section 12 below, all of the technology owners have so committed.

- 8.6.1.5. The application's subject plan will not be executed according to an order of another who is not the applicant for full or partial payment given against providing full or partial ownership rights of technology or a product.
 - 8.6.1.6. The applicant may not have an application to fund an identical plan, in full or in part, examined in one of the Incentive Programs of the Innovation Authority, including a sub-program.
 - 8.6.1.7. No financial support was received from a governmental entity or the Innovation Authority, directly or indirectly, which was not according to the provisions of this Incentive Program. No additional benefit will be provided with respect to an approved file for which a benefit was given in the past as per the provisions of this Incentive Program.
 - 8.6.1.8. The applicant is not an owner of restricted accounts and is not in the process of receivership, freezing of proceedings, liquidation, etc.
 - 8.6.1.9. The applicant and its controlling shareholders comply with the Industrial Research and Development Regulations (Conditioning of Approvals-Minimum Wage), 2011. If relevant.
- 8.6.2 The applicant will be evaluated by the Innovation Authority and/or someone on its behalf and will be brought for discussion and decision by the Committee. The Committee will make a decision pursuant to the criteria specified hereafter:
- 8.6.2.1. The level of technological innovation, the technological applicability and the extent of uniqueness of the subject plan of the application.
 - 8.6.2.2. The level of the challenges in realization of the subject plan of the application.
 - 8.6.2.3. The abilities of the applicant and its team to bring the completion of the subject plan of the application and its business realization while considering the support by the concessionaire.
 - 8.6.2.4. The business-economic growth potential of the applicant due to the success of the applicant's plan.
 - 8.6.2.5. The technological and employment contribution of the subject plan of the application to the Israeli economy and growth of the applicant's scope of operations of the applicant in Israel, including manufacturing activities.
 - 8.6.2.6. The applicant has high added value for the success of the incubator project.

8.7 The Committee's decision

8.7.1 After evaluation of the application as specified above, the Committee will decide whether to approve or to reject the application. Notification regarding the above decision will be sent to the applicant.

8.7.2 If the Committee has approved the file:

8.7.2.1. The Committee will determine the approved budget and the grant rate to be provided to the applicant, as specified in Section 8.8 hereafter.

8.7.2.2. The applicant will be required to register as a limited private company pursuant to the laws of the State of Israel prior to the start of the execution period. To put things in order, it is made clear that it is possible to be incorporated as a limited private company prior to submitting the application to the Innovation Authority. An incubator project that the Committee will approve according to Section 8.8.1 (to execute proof of concept) will be exempt from the obligation to register as a company prior to the start of its activities in the incubator in the framework of this approval.

8.7.2.3. The applicant will be required to sign a budget page, and a letter of commitment in a format to be determined by the Committee.

8.7.2.4. Approval of the application will become effective after the Authority has signed the letter of approval, including the execution period, the rate and the amount of the grant, and additional conditions-if the Committee will set them.

8.7.2.5. Upon issuance of the letter of approval, the Innovation Authority will transfer an advance to the Incubator Company at variable rates, pursuant to the Incentive Programs' procedures.

8.8 Grant for an approved plan

If the Committee has approved the application, it will determine the approved budget, the amount and rate of the grant that will be given to the applicant, as specified hereafter:

8.8.1 The Innovation Authority's Participation in funding an incubator project for proof of concept:

8.8.1.1. The applicant in this Section may be an entrepreneur, industrial corporation, Incubator Company, or technological incubator.

8.8.1.2. The Innovation Authority will participate in financing proof of concept, technological effectiveness and/or transfer of technology from an industrial research and development institution that will be executed prior to the initial execution period-as per its meaning in Section 8.8.2 hereafter. The approved budget to fund proof of concept will not exceed NIS 1,500,000. Participation of the Innovation Authority will be through a grant at a rate of 85% of the approved budget and up to a maximum grant of NIS 1,275,000.

8.8.1.3. The concessionaire or its shareholders will provide the match Funding.

8.8.1.4. The eligibility for funding in this Section will only be given to projects resulting from the commercialization of technology from a research institution.

8.8.2 The Innovation Authority's participation in funding an incubator project in the first execution period:

8.8.2.1. The applicant in this Section may be an entrepreneur, an industrial corporation, or an Incubator Company, whether it successfully ended the proof of concept-as specified in Section 8.8.1 above or not submitted an application as per the above Section 8.8.1.

8.8.2.2. The Innovation Authority will participate in the funding of an incubator project during the execution period (as specified in Section 8.5 above). The approved budget for the first execution period will not exceed NIS 2,500,000. Participation of the Innovation Authority will be through a grant at a rate of 85% of the approved budget and up to a maximum grant of NIS 2,125,000.

8.8.2.3. The concessionaire or its shareholders will provide the Match Funding

8.8.3 The Innovation Authority's participation in funding an incubator project in the second execution period:

8.8.3.1. The applicant in this Section can be an Incubator Company for which an initial execution period was approved-as specified in Section 8.8.2 above

8.8.3.2. The Innovation Authority will participate in the funding of an incubator project during the second execution period (as specified in Section 8.5 above). The approved budget for the second execution period will not exceed NIS 2,500,000. Participation of the Innovation Authority will be through a grant at a rate of 60% of the approved budget and up to a maximum grant of NIS 1,500,000.

- 8.8.3.3. Concerning incubator projects in selected sectors, as they will be defined from time to time by the program's procedures, the approved budget for the second execution period will not exceed NIS 2,500,000. Participation of the Innovation Authority will be through a grant at a rate of 75% of the approved budget and up to a maximum grant of NIS 1,875,000.
- 8.8.3.4. The match funding will be provided by the concessionaire or its shareholders, at a rate not lower than 15% of the approved budget.
- 8.8.4 To put things in order, an incubator project will be entitled to only one grant to finance proof of concept, as per Section 8.8.1 above, and to funding for no more than two execution periods, as specified in Sections 8.8.2 and 8.8.3 above, in the framework of this Incentive Program.

9. Appeal

- 9.1 The Committee will hold a re-discussion of any decision that is made, except in relation to competitive proceedings for selection of concessionaires, if within 45 working days from the date of receipt of the notice of the decision, the one in our case who received the above notice of the Committee, will submit a written reasoned request to hold a re-discussion.
- 9.2 The submission of a request for a re-discussion requires payment of a fee pursuant to regulations that have been determined for this purpose by force of the Innovation Law.

10. Down payment

The Research Committee will be permitted to approve a down payment on account of a grant, pursuant to provisions to be determined for this matter by the Innovation Authority's Council. It is made clear that a down payment on account of a grant will be considered as a grant.

11. Multiple support

- 11.1 It is hereby clarified that it is prohibited to obtain additional support from the Innovation Authority and/or from a governmental entity, directly or indirectly, for components of the approved plan.
- 11.2 If another party funded the plan or part of it, that is not the applicant, not in the framework of an order as per Section 8.6.1.5 above and not in the framework of support from the Innovation Authority, the amount of such funding will be deducted from the plan's approved budget.

12. Intellectual property and manufacturing rights

- 12.1 The provisions of the Innovation Law, the regulations, the rules and the procedures that were introduced by force, and the provisions of Incentive Program No. 1 - R&D Fund, and the procedures and rules that were set by force of it, will apply to grants of the Innovation Authority and the support provided in the framework of this Incentive Program, for the purposes:
- 12.1.1 Ownership of the technology resulting from the research and development as per an approved plan and any right derived from it.
 - 12.1.2 Manufacturing in Israel and the obligation not to transfer manufacturing outside of Israel, without obtaining advance approval of the Research Committee.
 - 12.1.3 The obligation not to transfer the technology or rights derived from the technology developed in the framework of the approved plan to another, in or outside of Israel, without obtaining the Research Committee's approval in advance.
- 12.2 Approvals related to applications that are not applications for approval of a plan, or changes in the course of execution period of the approved plan, that will be submitted relative to subjects specified in this section, will be brought for discussion to the Research Committee operating by force of Incentive Program No.1-R&D Fund.

13. Royalties

- 13.1 No royalties will be demanded with respect to the grants provided to a concessionaire according to clause 7 in the framework of this Incentive Program.
- 13.2 The provisions of the Innovation Law, the regulations, the rules and the procedures that were introduced by force of it and the provisions of Incentive Program No. 1 - R&D Fund and the procedures and the rules set by force of it, will apply to grants of the Innovation Authority and the support provided in the framework of this Incentive Program, for the purposes, and pursuant to the provisions of Appendix D of Incentive Program No. 1 - R&D Fund-provisions in the matter of the rate of royalties and rules for their payment.

14. Cancellation of the concession or the support

Should the concessionaire or the Incubator Company that received a grant by force of this Incentive Program not comply with a condition of this Incentive Program, the Committee's decision, the letter of approval, the letter of commitment, the procedures of the Incentive Program or any other condition that they are obligated to meet the Committee will see this as a fundamental breach of the Incentive Program's provisions - it is permitted to decide on any action specified in the provisions of the Innovation Law, including Chapter H of the Innovation Law.

15. Supervision and control

The concessionaire and the Incubator companies that have received a grant by force of this Incentive Program are obligated, at any time, to allow the Innovation Authority or anyone on its behalf (including external entities) to audit their operations on dates and under conditions that will be determined by the Innovation Authority, and will act according to the Innovation Authority's guidelines, as they will be determined from time to time.

16. Budget

- 16.1 It is made clear that the Innovation Authority Council will be permitted from time to time to update the amounts that are stated in the provisions for this Incentive Program.
- 16.2 Providing the support and activating this Incentive Program are subject to approval each and every year of the budget, to the budget's limitations, and to the approved budget for this Incentive Program.
- 16.3 If on the date of approval of the application for support the Innovation Authority's budget has not yet been approved, the approval will be subject to the existence of a budget in the appropriate budget regulation, and no final decision will be made regarding the approved grant until after the approval of the budget by the relevant entities.
- 16.4 Approval of the approved plan will be in accordance with amounts budgeted for this in the Innovation Authority's budget and pursuant to the judgment of the Commission.

17. Miscellaneous

- 17.1 The provisions of the Innovation Law, the regulations, the rules, the procedures, the conditions, and the provisions that were determined by force of it (if determined) will apply to this Incentive Program, with the necessary changes of including the provisions of Mark 'ט of Chapter 'ג of the Innovation Law (Research Committee), Chapter 1'ג of the Innovation Law (Obligation for Caution and Obligation of Trust of an Office Holder of the Innovation Authority), Section כ"ט15 of the Innovation Law (Application of Laws), Section ל"15 of the Innovation Law (Income of the Innovation Authority), Chapter 'ט of the Innovation Law (Approval of Applications to Provide Benefits), Chapter 'ה of the Innovation Law and Chapter 'נ of the Innovation Law (General Provisions), and this includes Section 'א47 of the Innovation Law (Penalties).
- 17.2 The procedures of the Incentive Program, as they will be determined and published from time to time by the Committee, including submitting the applications and their discussion, will be an integral part of this Incentive Program. In a case of contradiction between the provisions of this Incentive Program and the above procedures or rules, this Incentive Program's provisions will take precedence.
- 17.3 In any event, this Incentive Program should not be considered a commitment on behalf of the Innovation Authority to initiate competitive proceedings at any time, to approve any application or proposal, including an application to approve an incubator project and/or to approve support to a concessionaire and/or to Incubator Companies or to transfer any payment.
- 17.4 Procedures, rules, notices, etc., that will be set in relation to this Incentive Program will be published on the Internet portal of the Authority.

18. Inception

The inception of this Incentive Program is on .