

## **Incentive Program No. 29 – Technological Innovation Labs Program (pilot)**

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### **1. General**

- 1.1 The Israel Innovation Authority (hereinafter: "**The Innovation Authority** ") assists and fosters, directly or indirectly, technological innovation in Israel by offering and engaging in a variety of programs, tools and activities.
- 1.2 Incentive Program No. 29 – Technological Innovation Labs Program (pilot) (hereinafter: "**the Incentive Program**") will enable Industrial corporations to implement "Open Innovation" via Innovation Labs and help them grow and fortify their position in Israel. This, in turn, will strengthen Israel's unique innovation ecosystem, thereby bolstering and advancing Israeli industry and the Israeli economy overall. The Incentive Program will also support startup companies operating in distinctive technological industries (including manufacturing industries), who require access to technological infrastructure such as sophisticated manufacturing or development tools, who seek better understanding of the marketplace and of distribution channels, or who need specific knowledge or expertise in order to formulate and test products, conduct technological feasibility studies, roll out pilot programs, plan marketing activities, etc.
- 1.3 Industrial corporations, in Israel and abroad, that possess a unique technological infrastructure, knowledge and skills not currently accessible to entrepreneurs in Israel, will be responsible for establishing and operating the Innovation Labs, as defined in article 2.14 hereunder.
- 1.4 Assistance provided under this Incentive Program, will be given both to the Innovation Labs and to companies operating under the umbrella of the Labs.

### **2. Definitions**

In this Incentive Program, unless otherwise stated, the following terms are to be understood according to the definitions provided in this section:

#### **2.1 "Peripheral Area"**

Development Areas A and B determined under Section 40D of the Capital Investments Encouragement Law, 5719–1959;

## 2.2 "The Internet Website"

The Innovation Authority's Internet website;

## 2.3 "Recognized Expenses"

2.3.1 Expenses required to setup the necessary technological infrastructure and for the ongoing operation of an Innovation Lab, which the Committee has designated as recognizable expenses in the Incentive Program procedures.

2.3.2 Expenses for research, development, marketing, commercialization and other recognized Lab Project activities, which the Committee has designated as recognizable expenses in the Incentive Program procedures.

## 2.4 "The Committee"

The Committee as described in Section 3 hereunder, that will serve as the research committee (as defined in the Innovation Law) for the purpose of this Incentive Program;

## 2.5 "Lab Company"

A private company duly incorporated in Israel and acting in accordance with the laws of the State of Israel, for the purpose of operating and commercializing the Lab Project;

## 2.6 "Industrial Company"

A foreign or local industrial corporation, whether or not duly incorporated in the State of Israel and acting in accordance with the laws of the State of Israel, in possession of unique technological infrastructure, know-how and skills that are not currently available to entrepreneurs in Israel.

## 2.7 "Manufacturing Industry Company"

An Industrial Company that preforms physical or chemical transformation of materials or components into new products using machines, including the following sectors: textile, wood, plastic and rubber and derivative products, food and beverages, metal and derivative products, building materials, electric equipment and motor vehicles.

## 2.8 "Technological Innovation"

As the term is defined in the Innovation Law;

## 2.9 "The Innovation Law"

The Law for the Encouragement of Research, Development and Technological Innovation in Industry, 5744-1984;



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2.10 "**Entrepreneur**"

Individual/s with a technological idea wishing to develop it into a commercial product as part of a Lab Company;

2.11 "**Research**"

As the term is defined in the Innovation Law;

2.12 "**Complementary Financing**"

Financing given by other than The Innovation Authority or the government, to complete 100% of the Recognized Expenses approved by the Committee;

2.13 "**Grant**"

Any of the following:

2.13.1 Financing given by The Innovation Authority to an Innovation Lab for the purpose of setting up the technological infrastructure, as set forth in Section 6.1 hereunder;

2.13.2 Financing given by The Innovation Authority to an Innovation Lab for the operation of the Innovation Lab, as set forth in Section 6.3 hereunder;

2.13.3 Financing given by The Innovation Authority to a Lab Company for financing the operation of an Approved Lab Project, as set forth in Section 7.6 hereunder;

2.14 "**Innovation Lab**"

A for-profit corporation duly incorporated in Israel and acting in accordance with the laws of the State of Israel, which can provide other corporations duly incorporated in Israel and acting in accordance with the laws of the State of Israel, including Lab Companies, with access to technological infrastructure and/or understanding of the market and of marketing channels and/or unique know-how and/or expertise necessary for their success;

2.15 "**Bidder**"

A corporation that is, itself, an Industrial Company or a corporation in which an Industrial Company has at least a 30% equity stake (on a fully diluted basis), that submits a bid under a competitive bidding process, to establish and operate an Innovation Lab, as set forth in this Incentive Program;

2.16 "**Development**"

As the term is defined in the Innovation Law;



#### 2.17 "Lab Project"

A project approved by the Committee, in accordance with the provisions of this Incentive Program, which is based on a plan, a term defined in the Innovation Law;

#### 2.18 "Approved Budget"

The total committee approved budget of a Lab Project, consisting of the Grant and of the Complementary Financing.

### 3. The Committee

#### 3.1 Committee composition

3.1.1 Chairman of The Innovation Authority – member and chairman of the Committee;

3.1.2 The General Director of The Innovation Authority – member;

3.1.3 An employee of The Innovation Authority, currently serving as the General Manager of the Startup Division at The Innovation Authority – member and substitute Committee Chairman;

3.1.4 Two employees of The Innovation Authority appointed by the General Director of The Innovation Authority – members;

3.1.5 An employee of the Ministry of Economy and Industry owning an academic degree in areas relating to the Committee's work, appointed by the General Director of the Ministry of Economy and Industry – member;

3.1.6 Representative of the Budgets Supervisory Department at the Ministry of Finance, appointed by the Minister of Finance – member;

3.1.7 Representative of the Accountant General at the Ministry of Finance, appointed by the Minister of Finance – member;

3.1.8 Four representatives from the public – members.

#### 3.2 Committee's duties and powers

The Committee has the authority to make any decision required to operate the Incentive Program (insomuch that it does not contradict the provisions of the Innovation Law, or the regulations, rules, procedures and provisions enacted by virtue thereof), including:

3.2.1 In accordance with the prerequisites and, to assess bids submitted for establishing and operating Innovation Labs, to rate such bids, to select bids and to approve their operation.

3.2.2 To take any action required to examine and evaluate the Bidders' representations, including consideration of the method of operation of the Innovation Lab and carrying out the Lab Project.

3.2.3 Setting the conditions for establishing and running an Innovation Lab, including milestones and timetables. The milestones may be based on meeting the representations made by an Innovation Lab as part of the competitive bidding process.

- 3.2.4 Approving or rejecting, fully or partly, any change an Innovation Lab seeks to make in comparison to its original bid, in accordance with the conditions and procedures set by the Committee.
- 3.2.5 To monitor an Innovation Lab's performance and decide whether to set conditions and milestones for the Lab, cancel the approval given to it, or discontinue support thereof, in accordance with the provisions of Section 10 hereunder.
- 3.2.6 To examine, approve or reject applications for the approval of Lab Projects, including providing full or partial approval for budgets submitted with projects, and to set conditions for the approval thereof.
- 3.2.7 To monitor the performance of a Lab Project and decide whether to set conditions and milestones for the project, cancel the approval given to it, or discontinue support thereof, in accordance with the provisions of Section 10 hereunder.
- 3.2.8 To approve an extension of the period of time a Lab Project may continue to operate, without receiving any additional budget and up until it fully exhausts the Approved Budget.
- 3.2.9 To approve a shortening of the period of time a Lab Project may continue to operate, if the Approved Budget was fully exploited and the goals of the plan were realized, as approved by the Committee.
- 3.2.10 To grant an Innovation Lab or an Industrial Company rights to the new knowledge developed in the Lab Project, under Section 8 of this Incentive Program and any procedures the Committee will set.
- 3.2.11 To set and to publish procedures for the execution of this Incentive Program.
- 3.2.12 To initiate surveys, studies and any other activity that may assist in the operation of this Incentive Program.

#### **4. Innovation Lab Selection Process**

- 4.1 **Competitive bidding process for selection of an Innovation Lab**
  - 4.1.1 A notice of competitive bidding processes will be published on the Internet Website and in the press (hereinafter: "**the Notice**"), according to the flowing provisions:
  - 4.1.2 Under this Incentive Program, up to a total of 5 Innovation Labs will be selected that will have obtained the highest score under the competitive bidding process. Any Notice published by The Innovation Authority will detail the maximum number of Innovation Labs that the Committee is authorized to approve. In addition, The Innovation Authority may limit the areas of activity in which an

Innovation Lab may engage, and this limitation will be included in the published Notice.

- 4.1.3 The Committee will select an Innovation Lab in accordance with the provisions set forth in this Incentive Program. The winning Bidder will receive a notice in this regard and sign a letter of commitment, where the letter will be of a form determined by the Committee. The approval of the winning bid will enter into force following signing of the aforementioned letter of commitment and a letter of approval will be issued by The Innovation Authority to the Innovation Lab that won the competitive bidding process for a license term of 3 years, beginning on the date of the letter of approval (hereinafter: "**the License Term**").
- 4.1.4 Notwithstanding the provisions of Section 4.1.3, if a selected Innovation Lab fails to start fulfilling its duties within six months of the date of the Committee's decision of the selection according to this Incentive Program, and after the selected Innovation Lab will have received a letter concerning its failure to fulfill its obligations and the Innovation Lab will have failed to rectify the situation according to the Committee's requirements within 45 days of the date of the letter, the Committee may revoke the selection or select the Innovation Lab that was ranked next according to the ranking order in the competitive bidding process, and did not initially win the competitive bidding process.
- 4.1.5 Under the terms of the Notice, it will be possible to submit questions and clarification requests with respect to the Innovation Lab selection process, until such date as will be published in the Notice. Answers to such questions will be published on the Internet Website starting on such a date as will be notified in advance. The answers will not expose the sender of the question or clarification request, to the extent possible. These answers will constitute an integral part of the competitive bidding process for selecting an Innovation Lab as set forth in this Incentive Program and should be considered an inseparable part of these provisions.
- 4.1.6 The Committee is not obligated to complete the procedures for selecting an Innovation Lab and to make a selection within a certain period of time, but if these procedures are not completed within 180 days of the deadline for submitting bids, Bidders may cancel their bids and have their surety returned to them. However, if a Bidder cancels its bid before the expiration of 180 days after the deadline for submitting bids, the Committee may appropriate the surety attached to its bid.
- 4.1.7 Without detracting from the foregoing or from any remedy or right available to The Innovation Authority, the bid with the highest score out of those that did not win the competitive bidding process will

remain in force for 180 additional days following completion of the competitive bidding process, for the event that the winning Bidder withdraws its bid or breaches its commitments or for the event that the winning bid with the winning Bidder is not realized. Under such circumstances, the Committee may (but will not be obligated to), at its sole discretion, declare the Bidder that was ranked next, but did not win the competitive bidding process, as the winner in the competitive bidding process.

- 4.1.8 Notice of cancellation of a specific bid for the selection of an Innovation Lab, will be delivered in writing to The Innovation Authority.
- 4.1.9 The Committee may disregard any unreasonable bid.
- 4.1.10 While examining and evaluating Bids, the Committee or anyone on its behalf, may contact the Bidders to receive clarifications regarding their bids or to remove any ambiguity that may rise when examining the bids.
- 4.1.11 If no bids at all are submitted under the competitive bidding process, a new competitive bidding process may be initiated.

#### 4.2 Prerequisites

The Bidder must meet all the following conditions, **accumulatively**. It is clarified and emphasized that non-compliance with one of the prerequisites is sufficient to disqualify an entire bid:

- 4.2.1 The Bidder is an Israeli corporation duly registered in Israel and acting in accordance with the laws of the State of Israel.
- 4.2.2 The Industrial Company, whether it is the Bidder itself, or one of the Bidder's shareholders, employs at least 100 employees, as of the bid submissions date, and its turnover in the calendar year preceding the year when the competitive bidding process is published, amounts to at least NIS 100 million.
- 4.2.3 The Bidder has provided a submission surety bond (hereinafter: "**The Surety**") of NIS 100,000 as set forth in Section 4.3 hereunder.
- 4.2.4 The Bidder paid an NIS 5,000 bid handling fee, as set forth in Section 4.4.4 hereunder.
- 4.2.5 Neither the Bidder nor any of its shareholders, have limited accounts and they are not under receivership proceedings, suspension of proceedings, liquidation etc.
- 4.2.6 The Bidder meets the requirements of the Encouragement of Research and Development in the Industry (Conditioning of Approvals – Minimum Wage) Regulations, 5771-2011.
- 4.2.7 The controlling shareholder of a technological incubator acting by virtue of The Innovation Authority's Incentive Programs Nos. 3 and 22 will not be a shareholder of the Bidder, the Bidder itself or a

subsidiary / related company / affiliated company / company under the ownership or control of the Bidder or of its shareholders.

4.2.8 The total scope of direct and indirect holdings of Bidder shareholders which are NPOs, local municipalities, academic or extra-academic research institutes, will not exceed 33% in aggregate (on a fully diluted basis) and they will not be controlling shareholders of the Bidder, jointly or separately.

#### 4.3 Surety

4.3.1 The Bidder will deposit a bank guarantee or a guarantee from an Israeli insurance company, having a license to practice insurance under the Control of Insurance Business Law, 5741-1981, drawn to The Innovation Authority according to such forms as will be determined by the Committee under the Incentive Program's procedures.

4.3.2 The surety will be in force up to such date as will be advertised in the published Notice. The surety amount will be NIS 100,000 (one hundred thousand New Israeli Shekel).

4.3.3 Potential Bidders' should pay attention to the importance of submitting an appropriate and accurate surety according to the form attached to the provisions of this Incentive Program. Any deviation in the form of the surety (also a deviation that allegedly benefits The Innovation Authority, such as the surety remaining in force for longer period of time, a linked surety, etc.) may result in disqualification of the bid.

4.3.4 The Committee may request to extend the force of the surety as long as no decision has been made as to the winner in the competitive process.

4.3.5 The surety may only be in the name of the Bidder.

4.3.6 The costs of issuing the surety will be borne exclusively by the Bidder.

4.3.7 Failure to attach the surety to the bid will be deemed as non-compliance with the prerequisites and it may not be attached after the bid submission deadline.

4.3.8 Sureties will be returned to Bidders that do not win the competitive bidding process.

4.3.9 If a Bidder's bid to serve as an Innovation Lab is cancelled before the expiration of 180 days after the deadline for submitting bids, the Committee may appropriate the surety attached to its bid.

4.3.10 The Committee is not obligated to complete the procedures for selecting an Innovation Lab, nor to select a winner within a certain period of time, but if the winning procedures are not completed within 180 days of the deadline for submitting bids, the Bidder may cancel its bid and have their surety returned to them.



- 4.3.11 The Innovation Authority may appropriate the surety if the winner fails to start fulfilling, or fails to fulfill its duties, under this provision and the Committee's decision, and after the winner shall have received a notice concerning its failure to fulfill its duties and shall have failed to rectify the situation according to the Committee's requirements, within 45 days of the date of notice.
- 4.3.12 To assist Bidders, interested Bidders may submit a draft of the surety form for approval by The Innovation Authority, in accordance with the content of the published Notice.
- 4.3.13 If a Bidder submits such a form, the form will be examined by the Startup Division at The Innovation Authority and returned to the Bidder with comments.
- 4.3.14 It is clarified that this proceeding of an early examination of the surety form will not detract from the Bidder's responsibility to ensure the adequacy of the surety it will submit, and it will not bind or impose any liability on The Innovation Authority and anyone acting in its name and on its behalf, directly or indirectly, or restrict its discretion.

#### 4.4 **Bid to serve as an Innovation Lab**

The Bidder will complete a bid form according to such wording as will be determined by the Committee in the Incentive Program's procedures and will provide all of the following documents, together, to its bid:

- 4.4.1 To demonstrate the Bidder's compliance with the prerequisite as required under Section 4.2.1 – the Bidder's certificate of incorporation.
- 4.4.2 To demonstrate the Bidder's compliance with the prerequisite as required under Section 4.2.2 – an affidavit of the Industrial Company's signatory in such form as will be determined by the Committee in the Incentive Program's procedures.
- 4.4.3 To demonstrate the Bidder's compliance with the prerequisite as required under Section 4.2.3 – a surety submitted in such form as will be determined by the Committee in the Incentive Program's procedures.
- 4.4.4 To demonstrate the Bidder's compliance with the prerequisite as required under Section 4.2.4 – a receipt for a deposit into a bank whose details will be published in the Notice, in the form of an ordinary payment voucher to "The National Authority for Technological Innovation, for participation in the competitive process under Incentive Program No. 29" bearing the Bidder's name. Payments made following the bid submission deadline will not be accepted.
- 4.4.5 To demonstrate the Bidder's compliance with the prerequisite as required under Section 4.2.5 – an affidavit signed by the signatory

of the Bidder and an affidavit signed by each of its shareholders, certified by an attorney, that none of them has a limited account and is not under receivership proceedings, suspension of proceedings, liquidation etc., in such form as will be determined by the Committee in the Incentive Program's procedures.

- 4.4.6 To demonstrate the Bidder's compliance with the requisite as required under Section 4.2.6 – a statement made by the Bidder and its controlling shareholders as to their fulfilling their duties regarding keeping the rights of employees employed by the Bidder pursuant to the Minimum Wage Law, 5747-1987 and that they undertake to continue keeping such rights during the entire term of the approval.
- 4.4.7 An obligation of the Bidder's signatory, certified by an attorney, to fulfill the requirements of the provisions of this Incentive Program, in such form as will be determined by the Committee in the Incentive Program's procedures.
- 4.4.8 A report of forecasted sources and uses for setting up the technological infrastructure and the ongoing operation of the Innovation Lab for a three-year operating term, in such form as will be determined by the Committee in the Incentive Program's procedures.

#### 4.5 **Criteria**

The Committee will examine and consider bids that meet the prerequisites, in accordance with the following criteria:

##### **4.5.1 Scope and standard of experience of Bidder and its shareholders (20%)**

Bidders will be scored on this criterion according to the Committee's impression with the scope and standard of a Bidder's experience and its shareholders, taking into consideration the Industrial Company's rate of holdings in the Bidder, as follows:

- 4.5.1.1 Preference will be given to an Industrial Company with a greater number of years of operation and a larger scope of activity in the proposed area of activity of the Innovation Lab.
- 4.5.1.2 Preference will be given to an Industrial Company with larger market share in the proposed area of activity.
- 4.5.1.3 Preference will be given to an Industrial Company with a larger scope of research and development expenses in the past three years in general and in the past calendar year in particular.

##### **4.5.2 Added value of Bidder and its shareholders (40%)**

Bidders will be scored on this criterion according to the Committee's impression with the expected added value of the Bidder and its

shareholders to the Lab Companies, taking into consideration the Industrial Company's percentage holdings in the Bidder, as follows:

- 4.5.2.1 Preference will be given to Bidders with a higher standard of technological infrastructure to be made available to the Lab Companies, whether existing or future infrastructure, and in particular to infrastructures that are unavailable in Israel up to the bid submission date for Entrepreneurs in the proposed area of activity of the Innovation Lab.
- 4.5.2.2 Preference will be given to a plan that would introduce a stronger planned mutual influence between the Industrial Company and the Lab Companies.
- 4.5.2.3 Preference will be given to a plan that would introduce wider, more varied and higher-standard support to the Lab Companies, based, *inter alia*, on the scope and level of expected contribution of research and development staff in the Industrial Company to the Innovation Labs.

#### **4.5.3 Business plan (25%)**

Bidders will be scored on this criterion according to the Committee's impression with the Bidder's business plan, its scope, standard and viability.

- 4.5.3.1 Preference will be given to Bidders with better scope and quality of business and strategic partnerships of the Bidder and its shareholders with other entities.
- 4.5.3.2 Preference will be given to Bidders expecting to accept a larger number of projects per year by the Innovation Lab.
- 4.5.3.3 Preference will be given to a better marketing plan for attracting Lab Companies.
- 4.5.3.4 Preference will be given to unique areas of activity in which available technological infrastructure is lacking in Israel for Entrepreneurs.
- 4.5.3.5 In case a specific competitive bidding process is not limited to manufacturing industries, preference will be given to a Manufacturing Industry Company that participates in the said competitive bidding process.

#### **4.5.4 General impression of Committee members (15%)**

Bidders will be scored on this criterion according to the general impression the Committee members have of the Bidder and the bid. The Committee may invite the Bidders to present the bid before the Committee members in accordance with such Directives as will be published by the Committee to all the bidders at the time of publishing the competitive bidding process.

#### 4.6 Right to review the winning bid and the Committee's protocol

4.6.1 Upon submission of a bid, a Bidder that believes that parts of its bid include trade secrets and/or business secrets (Hereinafter: "**Confidential Parts**") and whose opinion it is that other Bidders may not be permitted to review the bid following completion of the competitive bidding process:

4.6.1.1 Will explicitly indicate the Confidential Parts in a detailed list within its bid and will explain its position;

4.6.1.2 Will **attach** to its bid a copy of the bid for purposes of presentation to the other Bidders, which only includes the parts it agrees to expose to the other Bidders. Namely, the Confidential Parts in its bid are to be clearly and unequivocally blackened out. To remove any doubt regarding the copy of the bid for presentation to other Bidders, no parts of the bid are to be omitted, but rather, only Confidential Parts are to be blackened out.

4.6.2 A Bidder that fails to mark parts in its bid as confidential will be deemed to have agreed to the disclosure of the entire bid to the review of other Bidders, if it is declared the winner in the competitive bidding process; marking parts in the bid as confidential constitutes admission that these parts of the bid are to be considered confidential in the other Bidders' bids as well. Hence the Bidder waives in advance the right to review these parts in the other Bidders' bids.

4.6.3 A Bidder wishing to review the documents pertaining to a competitive bidding process (hereinafter: "**the Applicant**") will file the application to The Innovation Authority within 30 days of the date of delivery of the Notice regarding the Committee's decision as to the winner in the competitive bidding process in which the Applicant participated.

4.6.4 The Committee has the sole discretion as to the scope of the Applicant's right of review; If the Committee decides to allow review of the parts detailed in the winning Bidder's bid, notwithstanding that they are defined as confidential by the winning Bidder, the Committee will deliver a notice to the winner and will allow the winner to file any objections within a period of time that suits the circumstances, at its own discretion. If the Committee decides to reject the winner's objections, the Committee will inform the winner

accordingly, before disclosing the material to the Applicant for review.

- 4.6.5 The Committee will allow the Applicant to review the disclosable materials only, at such scope as the Committee will determine, within 45 days of receiving the disclosure application.
- 4.6.6 The Committee may extend said period by way of a well-based decision to be sent to the Applicant within said period of time. Such a decision may be made if the scope or complexity of the sought after information warrants an extension of the period of time; the extension will not exceed the period of time that is absolutely required due to the reasons for the extension, and in any case, the extension will not exceed 60 days.
- 4.6.7 For the purpose of this section, "the disclosable documents" – means the Committee's protocol for the selection of an Innovation Lab (insomuch that it is related to the winner in the competitive bidding process in which the Applicant participated) and the documents of the winning bid in the competitive bidding process in which the Applicant participated.
- 4.6.8 The right of review will not apply to such parts in the winning bid and/or Committee's protocol that constitute information that should not be disclosed or for which there is no duty to disclose, under the provisions of Section 9 of the Freedom of Information Law 5758-1998.

## **5. Duties of the selected Innovation Lab**

- 5.1 To act to create projects or to identify existing projects, and to follow-up by assessing and selecting projects suitable for operation within the framework of the Innovation Lab.
- 5.2 To accept Lab Companies approved by the Committee and to assist them during their period of operation in finalizing and testing the product (technological feasibility), in evaluating business feasibility and in making preparations to commence marketing and run a pilot. All this is to be done in accordance with the Lab Project's needs and the milestones set by the Committee.
- 5.3 Provide Lab Companies, during their period of operations, with access to unique technological infrastructure, know-how and expertise, to help them succeed.

- 5.4 Provide Lab Companies, during their period of operations, with existing technological infrastructure or establish infrastructure for them, according to the procedures of the Incentive Program determined by the Committee, and all this, according to the bid presented under the competitive bidding process.
- 5.5 Support Lab Companies, during their period of operations, professionally and technically. Such support is to be provided by research and development staff of the Industrial Company or of the Innovation Lab.
- 5.6 Provide a dedicated champion with relevant experience to serve as manager of the Innovation Lab, whose duty is to liaise between the Lab Companies during their period of operations, and the relevant units at the Industrial Company and the ecosystem available in the relevant sector.
- 5.7 Provide Lab Companies and their Entrepreneurs during their period of operations, with work space, if required.

## **6. The Grant and the selected Innovation Lab's rights**

- 6.1 An Innovation Lab selected by the Committee will be entitled to a Grant from The Innovation Authority for covering Recognized Expenses incurred in establishing technological infrastructure, at a rate of 33% of the total Recognized Expenses (50% for an Innovation Lab located in a Periphery Area) up to a Grant ceiling of NIS 4 million during the license term. The Innovation Authority's financing under this section will be provided subject to the Lab Companies being accepted by the Innovation Lab as follows:
  - 6.1.1 A Grant not exceeding NIS 2 million *provided* that at least two Innovation Companies have been assimilated by the Innovation Lab;
  - 6.1.2 A balance of a Grant, up to a ceiling of NIS 4 million, *provided* that at least 4 Lab Companies have been accepted by the Innovation Lab.
  - 6.1.3 The Grant payments will be transferred to the Innovation Lab according to quarterly financial reports to be submitted by the Lab.
- 6.2 The technological infrastructure to be established under Section 6.1 above will be used for collaborations with entities such as industrial companies and start-ups (including the Lab Companies).
- 6.3 In addition, for the purpose of running the Innovation Lab, The Innovation Authority will provide a grant of up to NIS 500 thousand per year or 50% of

the total Recognized Expenses, the lower over the two, for covering the Recognized Expenses for operation costs of the selected Innovation Lab. To remove any doubt, it is clarified that The Innovation Authority's grant under this section will be in addition to The Innovation Authority's Grant which is provided for establishing the technological infrastructure as set forth in Section 6.1 above and will also be provided subject to the Lab Companies being accepted by the selected Innovation Lab and as defined in the Incentive Program procedures determined by the Committee.

## **7. Principles of supporting a Lab Project**

- 7.1 An Entrepreneur seeking to undertake a Lab Project will contact the selected Innovation Lab that was awarded a letter of approval by virtue of this Incentive Program, and the entrepreneur will submit to the Innovation Lab an application to carry out a Lab Project. Such Innovation Lab will submit, together with the Entrepreneur, an application to The Innovation Authority, for the approval of the project as a Lab Project. The application will be submitted for a period of operations of 12 months, with a budget of up to NIS 1 million. The application will be examined by a professional examiner on behalf of The Innovation Authority and will be discussed at the Committee.
- 7.2 The Committee will make a decision regarding the approval or rejection of the application in accordance with such criteria as will be determined by the Committee for this purpose under the Incentive Program procedures. These procedures will include, amongst others, reference to the level of technological innovation, depth and feasibility of the product and its business potential.
- 7.3 Any Lab Project approved by the Committee, will receive a notice and will sign a letter of commitment in such form as will be determined by the Committee, including a requirement that the Lab Project be registered in Israel and in accordance with the laws of the State of Israel, as a private LTD company prior to starting its operation in the Innovation Lab. The approval will enter into force following the signing of such a letter of commitment and the issuance of a letter of approval by The Innovation Authority to such Lab Company.
- 7.4 The method and dates of payment for a Lab Project approved by the Committee will be in accordance with the procedures determined for this purpose in Incentive Program No. 3 – The Innovation Authority's Technological Labs, or other procedures determined by the Committee for this purpose and superseding them.



- 7.5 The Lab Project will be operated by the incorporated company as stated in section 7.3 above but the company may engage subcontractors to perform various actions at such rate and according to procedures as the Committee will determine for this purpose.
- 7.6 The Innovation Authority's participation in financing a Lab Project through The Innovation Authority Grant at the lower of up to NIS 1 million or 85% of the total Recognized Expenses, for a period of operation of up to 12 months, which as a rule, will commence as of the application submission date to The Innovation Authority, but the Committee may determine procedures for the purpose of the commencement of a different period of operation.
- 7.7 The payments of The Innovation Authority Grant for the Recognized Expenses will be transferred following transfer of the Complementary Financing for these expenses and in accordance with the procedures determined by the Committee.
- 7.8 The Committee will hold a repeat discussion of any decision it made, if, within 45 days of receiving the decision, the party with respect of which such Committee's decision has been made, files a reasoned application in writing to hold a repeat discussion. The submission of an application for a repeat discussion requires payment of a fee in accordance with the Encouragement of Industrial Research and Development (Fees) Regulations, 5760-2006.

## **8. Rights to knowhow developed in a Lab Project**

With regards to knowhow developed under the Lab Project (hereinafter: "**the New Knowledge**"), the New Knowhow and rights deriving therefrom will be under the full, exclusive ownership of the Lab Company, including intellectual property rights. However, the Committee may approve the Lab Company to grant the Innovation Lab or the Industrial Company a non-exclusive license to use the New Knowhow or to have joint ownership of the New Knowhow at a rate that will not exceed 50% to the Innovation Lab or the Industrial Company, in accordance with the procedures determined by the Committee, as long as the use of the New Knowhow by the Innovation Lab or Industrial Company does not negatively impact the right of the Lab Company to use the New Knowhow, in whole or in part.

The provisions of Incentive Program No. 1 – the R&D Fund, and the provisions of the Innovation Law, in connection with retaining the Knowhow and rights of production in Israel or outside of it and as the law pertains to the transfer of the Knowhow or production rights derived from this Knowhow outside of Israel, will apply to grants provided by virtue of this Incentive Program, considering any



necessary changes, including grants made to the Innovation Lab or Industrial Company (if incorporated in Israel and it acts in accordance with the laws of the State of Israel) if it is the owners of the New Knowhow.

## **9. Royalties**

- 9.1 No royalties will be required to be paid in return for the Grant given to an Innovation Lab under the Incentive Program.
- 9.2 A Lab Company receiving a Grant for a Lab Project under Section 7 of the Incentive Program will be required to pay royalties to The Innovation Authority, out of any revenue derived from the product developed under the Lab Project, or from a product that results from such a project, including services related to or involved with the product, up to a sum equal to repayment of the Grant provided to the Lab Project together with an annual interest, in accordance with the provisions of the Innovation Law and the provisions provided under Incentive Program No. 1 – The Innovation Authority's R&D Fund, with respect to royalties, including the rate of royalties.

## **10. Cancellation or discontinuance of support**

- 10.1 If one or more of the events specified hereunder should occur, the Committee will consider it a material breach of the conditions of the Incentive Program and may decide on one or more of the following actions: cancellation of support, in whole or in part, whether or not paid, and it may demand a refund of the paid part together with interest and linkage differentials, within their meaning in the Adjudication of Interest and Linkage Law, 5721-1961, as of the date of their payment until the actual date of repayment.
- 10.2 The selected Innovation Lab or Lab Company fails to meet the conditions of this Incentive Program, the Committee's decision, the letter of approval, the letter of commitment, the Incentive Program procedures or any other condition it is required to meet.
- 10.3 Providing false data as part of submitting a bid to serve as an Innovation Lab or an application for financing a Lab Project by virtue of this Incentive Program or thereafter.
- 10.4 Anyone required to refund a Grant given to it, in whole or in part, will comply with this demand within ninety days of the date of notice or at such a later date as scheduled in the notice, together with linkage differentials and interest, within their meaning in the Adjudication of Interest and Linkage Law, 5721-1961.



### **11. Submission of bids or applications**

11.1 A bid to serve as an Innovation Lab will be submitted by the Bidder according to such dates as will be published on the Internet Website and in the press, and the bid will include all the required details listed in the Incentive Program and the aforementioned publications.

11.2 An application for a Grant for a Lab Project will be submitted on a special form, prepared according to the procedures the Committee determined or will determine from time to time, and will be accompanied by additional documents according to the request of the Committee or any entity authorized thereby. Application forms for a Grant from The Innovation Authority will be available for download on the Internet website.

### **12. Entitlement to other The Innovation Authority's Incentive Programs**

12.1 The receipt of a Grant from The Innovation Authority for establishing and operating the Innovation Lab under this Incentive Program does not preclude the selected Innovation Lab or Industrial Company from filing an application for a Grant under other The Innovation Authority Incentive Programs, *provided however* that the Grant received for such other Incentive Programs will be given for other components than those defined under this Incentive Program and which have been approved by the Committee under this Incentive Program.

12.2 The receipt of a Grant or a benefit by a Lab Company for a Lab Project will not preclude The Innovation Authority's continued assistance in follow-up plans to further develop the Knowhow that benefited from this Incentive Program.

12.3 Entitlement to a Grant or benefit will only apply to anyone that did not and does not receive a benefit or additional financial assistance from The Innovation Authority or from the State of Israel for performing the Lab Project or parts of it for which the Grant has been received under this Incentive Program.

### **13. Supervision and control**

The Grant recipient undertakes to allow The Innovation Authority or anyone on its behalf, including external entities on its behalf, at any time, to audit its actions, on such dates and conditions as they will determine and to act according to The Innovation Authority's Directives, as will be determined from time to time.



#### **14. Budget**

- 14.1 It is clarified that The Innovation Authority may update the amounts specified in the provisions of this Incentive Program from time to time.
- 14.2 Providing the assistance and operating this Incentive Program are subject to the approval of the budget each year, to budget restrictions and to the Approved Budget for this Incentive Program. In any event, this Incentive Program will not be deemed as an undertaking on behalf of The Innovation Authority to make any payment.
- 14.3 If, on the allocation date, The Innovation Authority's budget shall not have been approved yet, the approval of the budget will be subject to the availability of a budget in the appropriate budgetary regulation, and no final decision will be made as to the Approved Budget until after the State budget is approved by the relevant entities, the earlier of the two.
- 14.4 A Lab Project will be approved according to the amounts budgeted for it in The Innovation Authority's budget and according to the Committee's discretion.
- 14.5 In any event, this Incentive Program will not be deemed an undertaking of The Innovation Authority to issue competitive bidding processes at any time, to approve projects or to transfer any payment.

#### **15. Miscellaneous**

- 15.1 The provisions of the Innovation Law, the regulations, rules, procedures and provisions enacted by virtue thereof (if and inasmuch that these have been enacted) will apply to the Incentive Program under these provisions, *mutatis mutandis*.
- 15.2 The Incentive Program procedures, as will be determined and published from time to time by the Committee, are an integral part of this Incentive Program. If there is any contradiction between the provisions of this Incentive Program and the procedures, the provisions of this Incentive Program will govern.
- 15.3 Procedures, notices and the like, which are determined with respect of this Incentive Program, will be published on the Internet Website.
- 15.4 The Committee does not undertake to approve any application or bid, including an application for the approval of a Lab Project.

#### **16. Commencement**

This Incentive Program will commence on 11.01.2017. It will be operated under a pilot format for three years. At the end of two years, The Innovation Authority will decide whether and how to continue with the operation thereof.