

The Ministry of Industry, Trade and Labor

UNOFFICIAL TRANSLATION

THE RENEWABLE ENERGY TECHNOLOGY CENTER IN THE NEGEV / ARAVA

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Directives of the Director General

Renewable Energy Technology Center in the Negev / Arava No. 8.14¹

1. General

1.1 The Ministry of Industry, Trade and Labor (hereafter: “the Ministry”) offers a range of support programs, in order to strengthen and expand the Israeli industry’s technology base.

1.2 There is a global trend of deepening the use of renewable energies, and Israel’s industry enjoys a relative advantage in this matter, particularly in the field of research and development (R&D). In light of these factors, it is highly important to work for the advancement of renewable energy R&D projects, in cooperation with university-based research institutions, research institutes and industry elements. Thus, based on cabinet decision no. 3954 (Ministerial Committee for social and economic affairs / 122) in the matter of “Technology and electricity-generation R&D in the field of renewable energy”, a renewable energy technology center will be created in the Negev or in the Arava, in order to fulfill this objective. The center will also provide industrial companies with renewable energy R&D services.

1.3 The technology center’s objectives are as follows:

1.3.1 To encourage technological entrepreneurship in the development of electricity-generation technologies based on renewable energy. This, by creating a support system which will allow people with innovative ideas in the field of technology to develop their enterprise from the very beginning; as of the initial R&D stage until actual production and marketing.

1.3.2 To encourage cooperation between academic institutions, research institutes and industry elements, in the development of electricity-generation technologies that are based on renewable energy.

2. Definitions

2.1 “State option”

Where a loan given by the State is not paid back within the timeframe that is defined in this Directive, or where the concessionaire fails to comply with the terms of this directive: It is the State’s right to convert the State loan into

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company shares and to take any type of consequent action (including the exercise, transfer or sale of its rights in the project's company).

2.2 “Renewable energy”

Electricity produced from sun, wind, geothermal and biomass sources; use of the sun's heat as an alternative for electricity; and energy that is saved by implementing R&D in the field of increasing energetic efficiency (energy saving and conservation).

2.3 “Labor laws”

The laws that are specified in the Second Schedule to the Labor Court Law, 5729-1969, and are to be implemented by the Minister of Industry, Trade and Labor.

2.4 “Proof of feasibility”

An action plan aimed to reduce the technological and systemic uncertainty concerning the feasibility of taking a certain innovative technological know-how, which is based on a certain technology which was – or is currently being - developed in a research institution, and implement it into a certain industrial product.

2.5 “State loan”

A loan given to the technology center's concessionaire in order to fund the center's projects. The loan may be converted to shares, in accordance with the provisions of this directive.

2.6 “Professional committee”

A professional committee, as per its definition in Article 3 of this directive;

2.7 “Concessionaire”

A person selected, following a competitive proceeding, to create and operate the technology center, for a concession period of up to five years from the date of obtaining a letter of approval, in accordance with the provisions of this directive of the Director General.

2.8 “Project Company”

A company created within the framework of the technology center, as defined in Article 9.3.

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2.9 “Entrepreneur”

One or more individuals having a certain technological initiative or development, and wishing to turn it into a commercial product;

2.10 “Research institution”

A research institution, whether academic or non-academic, which was authorized by the Ministry’s Chief Scientist; has a proven energy-related research capacity; hosts major research groups; and has a technology R&D development capacity as well as advanced research infrastructures. It is hereby clarified that the possible number of associated research institutions is unlimited.

2.11 “Research”

A planned investigation, made in order to discover new information that is expected to benefit in the development of a new product or process or in making a significant improvement to an existing product or process.

2.12 “Supplementary financing”

Financing, as per its definition in Article 9.2;

2.13 “Advanced course of operations”

A course of operations within the framework of the technology center’s operations, as specified in Article 7.2;

2.14 “Preliminary course of operations”

A course of operations within the framework of the technology center’s operations, as specified in Article 7.1;

2.15 “Experiment site-location course of operations”

A course of operations within the framework of the technology center’s operations, as specified in Article 7.3;

2.16 “Technology center”

Technology center, as per its definition in Article 7 to this Directive;

2.17 “Strategic investor”

A corporation having, whether on its own or through its associates, all of the following capacities: significant international operations in the field of energy;

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business ties with a range of Israeli and international companies and research bodies; proven capabilities of technological and business development in this field; R&D staff that can accompany projects, both professionally and technologically, including project screening and control of development processes; the ability to raise funds for the technology center and its projects; connection with non-governmental sources of financing (venture capital funds, investment banks, private investors). A “strategic investor” may be consisted of more than one body, i.e. a number of bodies which incorporated for such a purpose, may be regarded as a strategic investor.

2.18 “The Negev”

The area south of the Shderot–Rahat–Arad line, as defined in cabinet decision no. 4415 from 20.11.2005;

2.19 “Development”

It is the application of research findings or any other type of knowledge, for the purpose of creating a new product, developing a new process or significantly improving an existing product or process. This may include the consolidation or inspection of a plan’s outline, preparation of plans and designs, building of a prototype, and operation of an experimental model or a semi-industrial facility.

2.20 “Project”

An R&D plan – approved by the committee and performed in the technology center – aimed to lead to the discovery of the know-how, processes and methods needed in order to manufacture or develop a new product or process or to significantly improve an existing product or process. This, in cases where this product or process possesses a potential for commercialization in the field of renewable energy;

2.21 “Interest and linkage”

As per its meaning in the Interest and Linkage Law, 5721-1961;

2.22 “Approved budget”

The overall budget of a technology center project, including the State loan and the supplementary financing, and approved by the professional committee.

3. Professional Committee (for the purpose of this Directive – “the professional committee” or “the committee”)

3.1 The following committee members shall be appointed by the Director General of the Ministry, for the purpose of implementing this Directive:

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- 3.1.1 The Ministry's Chief Scientist will chair the committee.
- 3.1.2 A representative from the Budget Department of the Ministry of Finance.
- 3.1.3 The Chief Scientist in the Ministry of National Infrastructures.
- 3.1.4 A representative of the Ministry of the Development of the Negev and Galilee.
- 3.1.5 The director of the BIRD Fund.
- 3.1.6 The director of the Head Office for the Development of the Negev and Galilee in the Ministry of Industry, Trade and Labor.
- 3.1.7 Three professional public representatives in the field of renewable energy.
- 3.1.8 The program director in the Ministry of Industry, Trade and Labor - an observer.
- 3.1.9 The program director in the Ministry of National Infrastructures – an observer.

3.2 Appointing a public representative

The Director General of the Ministry shall, subject to the consent of the Ministry's Chief Scientist and of the Chief Scientist of the Ministry of Infrastructures, appoint the public representatives that are specified in Article 3.1.7 above. The said public representatives must have at least five years of renewable energy related experience, in the industrial, academic or fund raising aspects of this field.

3.3 Committee members' term of appointment

The public members of the committee shall be appointed for a period of three years, which may be extended by an additional term of no more than three years. The term of appointment of those committee members appointed by virtue of their position shall be for as long as they are in office.

A regular stand-in shall be appointed for each committee member.

3.4 Legal quorum for the committee's decisions

A legal quorum for decisions shall be a minimum of four committee members, including at least one public representative.

3.5 The committee's powers

The following powers are given to the committee for the implementation of this Directive:

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- 3.5.1 Selecting the concessionary by means of a competitive proceeding, in accordance with the threshold conditions and criteria that are specified in this Directive. The concession shall be given for a period of no more than five years.
- 3.5.2 Determining, within the approval that is given to the concessionary, the center's establishment and operation terms, including milestones and schedules.
- 3.5.3 Approving the appointment of the technology center's director.
- 3.5.4 Taking any needed action in order to examine the presentations of the candidate concessionaires or of the project implementation candidates.
- 3.5.5 Selecting a concessionaire even in case of a labor law breach, as specified in Article 4.8.
- 3.5.6 Approving or rejecting candidate projects, approving their budgets and setting adequate terms for their approval.
- 3.5.7 Monitoring the implementation of the technology center's work plan, and - where a certain project or concessionaire fail to comply with the committee's conditions and guidelines, with their own obligations or with the terms of the concession - deciding to discontinue any support given to them.
- 3.5.8 Approving an extra budget to be used for special activities and special cases, in the technology center and in projects.
- 3.5.9 Determining the terms for signing a knowledge transfer agreement between a research institution and the technology center, within the framework of the preliminary course of action, and approving the agreement.
- 3.5.10 Approving an increase in the number of participants in order to implement a project or perform a proof of feasibility within the framework of the preliminary course of action. This, provided that such an additional group indeed supplements operations;
- 3.5.11 Approving an extension to a project's approved implementation period, in accordance with Articles 8.4 and 9.2.3 below, without any budgetary addition.
- 3.5.12 Initiating surveys and researches which may assist in the program's operation;

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- 3.5.13 Approving the preparation and operation of experiment sites, as specified in Article 10 to this Directive.
- 3.5.14 Deciding about terminating the concession, if the concessionaire does not comply with the provisions of Articles 4 and 13.
- 3.5.15 In special cases and for specific reasons that should be noted:
Approving an extension in the due date of the State's loan beyond the payback deadline that is specified in Article 13.3.3 C below, and determining the appropriate conditions for the extension.
- 3.5.16 Determining and issuing relevant rules and procedures for the implementation of this procedure. Whereas these rules and procedures may include the R&D expenditures that are recognized by the committee, within the various courses of action that are determined in this Directive, they shall not include, among other things, the construction components as well as the overhead expenses, with the exception of the experiment and demonstration sites.
- 3.5.17 Outlining the implementation policy of this Directive. This includes the determination of project selection criteria and setting priorities in the allocation of the technology center's budget for projects.
- 3.5.18 Taking any necessary decision - which is not specified in Articles 3.5.1 till 3.5.17 above - concerning the implementation of this Directive.

3.6 The committee's work procedures

- 3.6.1 The committee shall determine its work and deliberation procedures.
- 3.6.2 The committee shall convene based on existing needs.
- 3.6.3 The committee's decisions shall be taken according to a majority of votes. If the members' votes are weighed even, the opinion of the committee's chairman or of his stand-in shall be the decisive vote.
- 3.6.4 The committee's deliberations and decisions shall be noted in a protocol to be signed by the committee's chairman.

4. Threshold conditions for the selection of a concessionaire

The concessionaire should comply with the following conditions:

- 4.1 He is a lawfully registered corporation in Israel.
- 4.2 His shareholders should, inter alia, include:
 - 4.2.1 One or more strategic investors.

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- 4.2.2 One or more research institutions, the cumulative value of which does not exceed 25% of the total value of holdings.
- 4.3 The concessionaire's total holdings by a local authority and research institutes together shall not exceed 49%.
- 4.4 The concessionaire shall commit to finance the remainder of the operations budget, by an annual sum of no less than 7.5 million NIS. Then, for a period of five years, the concessionaire's investment shall be by a sum equaling no less than 50% of the technology center's total investments, including follow up investments in projects.
- 4.5 The concessionaire should possess the know-how, the international experience and the technological and business-related capacity, which allow him to locate, support and guide the project, including the conduct of such operations as described in Article 7.
- 4.6 He should hand over a deposition testifying that the corporation and its controlling shareholders fulfill their obligation to protect the rights of the corporation's employees, in accordance with labor laws, collective agreements and expansion orders that apply to the corporation during the concession period, as far as such agreements and orders actually apply to it.
- 4.7 He should hand over a commitment to continue protecting the rights specified in Article 4.6, throughout the concession period.
- 4.8 The corporation or its controlling shareholders were not convicted of labor law violations, during the three years preceding the submittal of their application, and were not given more than two fines due to labor law violations by a work inspector appointed under Article 5 to the Administrative Offenses Law 5746-1985, during the year preceding the submittal of their application. It is hereby clarified that a number of fines given at separate dates due to the same offense shall be regarded as separate fines.

Despite the aforesaid, the committee may – for special reasons to be noted – choose not to refuse a bid of a certain corporation, even if the terms of Article 4.8 are not fulfilled. Upon taking such a decision, the committee may consider, among other things, the corporation's general practice concerning the protection of employees' right, or the ratio between the scope of operations for which the corporation was convicted or fined due to labor law violation and between its overall scope of operations. The committee shall not hold any discussion in that subject until it receives a relevant opinion from the Regularization and Enforcement Administration of the Ministry of Industry, Trade and Labor.

- 4.9 The corporation or its controlling shareholders were not convicted of any offense under Articles 290-297, 383-393 and 414-438 to the Penalty Law, 5737-1977,

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during the three years preceding the submittal of their concession application, and no criminal proceedings are held against them due to the perpetration of the said offences on the submittal date of the concession application.

- 4.10** “Share holder” – as per its meaning in the Banking Law (licensing), 5741-1981;

5. Documents to be attached to the concession application

A person applying to become a concessionaire (hereafter – “the bidder”) shall attach the following documents to his application:

- 5.1** A detailed business plan for the creation of the technology center, including details about the proposed enterprise; details about the bidder and his shareholders; their technological, business-related and international experience; the experience of the management team and its experience in raising funds.
- 5.2** A certificate of incorporation.
- 5.3** A legally signed submission guarantee, as specified in Article 15 below, and in accordance with the format attached as Appendix A.
- 5.4** A commitment to protect employees’ rights during the concession period, in accordance with the format attached as Appendix B.
- 5.5** A deposition testifying that neither the corporation nor its controlling shareholders were convicted under Articles 290-297, 383-393 and 414-438 of the Penalty Law, 5737-1977, in accordance with the format attached as Appendix B.
- 5.6** A deposition testifying that the corporation and its controlling shareholders fulfill their obligation to protect the rights of the corporation’s employees, in accordance with the labor laws, collective agreements and expansion orders that apply to the corporation during the concession period, as far as such agreements and orders actually apply to it, in accordance with the format attached as Appendix B.
- 5.7** A request, signed by the corporation and all of its shareholders, to have the certification of the Ministry’s Regularization and Enforcement Administration regarding the presence or absence of convictions or fines, as specified in Article 4.8 above, delivered to the committee by the administration, in accordance with the format attached as Appendix C.
- 5.8** A commitment to fulfill the provisions of this Directive of the Director General, in accordance with the format attached as Appendix D.

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- 5.9 A commitment to protect intellectual property laws, in accordance with the format attached in Appendix E.

6. Concessionaire selection criteria

The committee shall only examine and consider bids that fulfill the threshold conditions according to the following criteria:

6.1 The technological know-how and experience of the bidder and his shareholders (20%)

This criterion will be scored in a proportionate manner between bidders. The highest score will be given to the bidder with the highest technological know-how and experience, including a proven ability to cooperate with research institutions / researchers, a good familiarity with the advancement of global technology trends and the requirements of world markets, as well the ability to manifest this technology.

6.2 The knowledge and experience of the bidder and his shareholders in the field of international business (20%)

This criterion will be scored in a proportionate manner between bidders. The highest score will be given to the bidder with the most knowledge and experience in the field of international business. Hence, the highest score shall be given to the bidder whose scope of sales of products, power plants and technologies during the course of the previous five years is the highest.

6.3 Experience of the management staff (20%)

This criterion will be scored in a proportionate manner between bidders. The highest score will be given to the bidder with the most experience. Hence, the highest score will be given to the bidder having the management staff with the most years of experience, including experience in the fields of technological entrepreneurship, business escort, marketing, fund raisings and industrial companies' management. Preference shall be given to bidders having experience in the fields of renewable energy.

6.4 The capacity and accessibility of the bidder and his shareholders to supplementary financing and additional fund raisings (15%).

This criterion will be scored in a proportionate manner between bidders. The highest score will be given to the bidder which displays the most significant

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ability to raise supplementary financing and a wider range of available funding sources to enable further financing. Hence, the highest score will be given to the bidder showing the largest amounts of capital available for investments in the technology center.

6.5 Quality of the business plan (15%)

This criterion will be scored according to the committee's impression of the bidder's business plan and its feasibility. The committee will examine, among other things, the bidder's five year plans, his financial solidity, the stability of his funding sources, his proposal for technology commercialization options, and the feasibility of these proposals.

6.6 General impression of the committee's members (10%)

The consideration and general impression of the members of the committee shall include, among other things, reference to the contribution of the technology center to the economical development of the region in which it will be located.

7. The technology center

Located in the Negev/Arava, the technology center will focus on technological entrepreneurship. It will serve as an organizational framework, with adequate administration, accommodation options and appropriate means to allow entrepreneurs to develop, within its framework, renewable energy R&D projects that comply with the following terms and conditions and approved for operation as part of this program. The following operations, leastwise, shall be performed within the framework of the technology center:

7.1 Preliminary course of operations

It includes initiated operations purposed to locate researchers and research work that may, following the development period in the technology center, be developed into commercial technologies and products. It also includes the conduct of research plans, including all the necessary steps to be taken until the technology's preliminary feasibility proof phase. This may take place in academic or research institution, with the cooperation of the technology center.

7.2 Advanced course of operations

It includes the advancement of projects, from the feasibility proof phase until the fund raising phase. The annual scope of operations will be of between three to six new projects.

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7.3 Experiment site-location course of action

It includes the preparation and operation of sites for experimentation, demonstration and proof of technological feasibility.

All the above operations will be approved by the professional committee.

8. Terms and conditions of the “preliminary course” (under Article 7.1 of this Directive)

8.1 Eligibility for support

The eligibility to receive a grant for a project held during the concession period, as provided in Article 7.1 to this Directive, is subject to the committee's approval and to the fulfillment of the following criteria:

- 8.1.1 The project was submitted for the first time to the Chief Scientist Office within the framework of the technology center.
- 8.1.2 The research project is conducted under cooperation of the research institution and the technology center, and the contribution of the research institution to the project is substantial.
- 8.1.3 An agreement was signed between the technology center and the research institution and it serves as a legal basis for the operations that take place in the technology center. This agreement sets the objectives of the cooperation, the rights and obligations of both partners towards each other, and the rights and obligations of both partners together towards the State, in accordance with this Directive.
- 8.14 The project was passed for its preliminary feasibility proof phase, and its operations plan is practicable under the technology center's time and budget limits.
- 8.15 The project's fruits can be implemented in the Israeli industry and have a chance of reaching global markets.
- 8.16 The research is innovative.
- 8.17 The developed technology was not previously developed, acquired or applied in Israel.
- 8.18 The developed technology cannot be acquired abroad under reasonable commercial conditions.

8.2 Double support

The grant eligibility shall not apply to those who received – or are presently receiving – any additional government support for the performance of the projects or parts of it. To remove any doubt: any present support given due to the project will not prevent the further support of the Chief Scientist Office for pursuant knowledge development plans, including those that are part of the technology center's advanced course of operations, as defined in Article 7.2.

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8.3 Scope of support

- 8.3.1 The scope of a grant given to a project that was approved by the committee shall be of up to 66% of the approved budget.
- 8.3.2 The State's grant for the project, in particular, and the approved budget in general, shall be subject to the rules and procedures that were determined concerning the R&D expenses that are recognized by the committee, within the framework of the preliminary course of action.
- 8.3.3 Though being a full partner in the project, the research institution will be defined – for budgeting purposes only – as a sub contractor of the technology center.

8.4 The amount of the approved budget

The approved annual budget for all the projects shall not exceed an amount of 2,000,000 NIS, for a performance period of up to two years per project.

8.5 The performance conditions

- 8.5.1 The committee may, in irregular and special cases, extend the performance period of an approved project by an additional period of no more than one year, provided that it does not exceed the approved budget frame of Article 8.3.
- 8.5.2 If the technology center wishes to continue with the project, according to the terms of the advanced course of operations, as it is defined in Article 7.2 to this Directive, the technology center will be required to operate the requested project in accordance with all the specific terms of this course.
- 8.5.3 The project will be performed in the technology center or in the research institution.

9. Terms and conditions of the “advanced course” (under Article 7.2 to this Directive)

9.1 Application

A State loan application for a project in the technology center shall be submitted by the technology center for the committee's approval. Following a preliminary operation period of 5 years, the budgeting that is offered in this Article shall also be available for industrial parks that operate in the Negev region.

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9.2 Scope of support and performance terms

- 9.2.1 A State loan, by a rate of 85% of the approved budget, will be given to the technology center's concessionaire for the performance of a project in the technology center.
- 9.2.2 The State loan shall not exceed an amount of 2,125,000 NIS per project, for a performance period of up to two years.
- 9.2.3 The committee may, in irregular and special cases, extend the performance period of an approved project by an additional period of no more than one year, provided that no addition is made to the approved budget. When the support that is provided by the advanced course to projects of the technology center ends, the center may apply for further support within the framework of the Encouragement of Industrial R&D Law, 5744-1984.
- 9.2.4 The State loan eligibility for a technology center project shall only apply to those who did not receive – and are not presently receiving – an additional R&D support for the same project for which the loan was requested, except in the case of support given within the framework of the preliminary course, as per its definition in Article 7.1 to this Directive.
- 9.2.5 The State loan, in particular, and the approved budget in general, shall be subject to the rules and procedures that were determined concerning the R&D expenses that are recognized by the committee, within the framework of the advanced course of action.
- 9.2.6 The project will be performed in the technology center.

9.3 Supplementary financing

Technology center project financing, which is provided by the technology center's concessionaire or by any other financing element (including the entrepreneur) that the concessionaire is responsible to bring. The financing is designated for the performance of a technology center project, and it includes additional R&D expenses to those covered by the State loan, as well as other approved expenses that are required for the performance of the technology center project and its commercialization, according to procedures. The minimum financing amount shall equal the needed rate for supplementing the approved State loan up to a 100% of the approved budget.

9.4 The project company

- 9.4.1 A project company is a private company established within the framework of the technology center, in order to operate and commercialize a technology center project.

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- 9.4.2 Each technology center project will be registered as a private company Ltd. within a time frame to be defined in the procedures that will be determined by the committee.
- 9.4.3 The project company will own all the intellectual property to be developed by it in the technology center.

10. Terms and conditions of the “experiment site-location course” (under Article 7.3 to this Directive)

10.1 Grant eligibility

Grant eligibility, under Article 7.3 to this Directive, is subject to the committee’s approval, and it shall be evaluated based on the cumulative fulfillment of the following conditions:

- 10.1.1 The application’s purpose is to prepare sites and build infrastructures that may be used for experimentation, demonstration and proof of technological feasibility for a certain product or for a range of products in a number of industrial companies.
- 10.1.2 The application is not necessarily intended for a project that is operated in the technology center.
- 10.1.3 When using experiment sites, preference shall be given to projects that are operated in the technology center.
- 10.1.4 The grant will be given for the preparation and operation of generic experiment sites. Each project must bear the costs of adapting the experiment sites to its unique needs.

10.2 Scope of support

The rate of a grant given to an application that was approved by the committee shall be 50% of the approved budget.

10.3

- 10.3.1 The overall approved annual budget for all application made under Article 7.3 shall not exceed 4 million NIS.
- 10.3.2 Support that is based on Article 7.3 shall be given for a period of three years following submission of the first application under this Article.

10.4

- 10.4.1 The technology center, the strategic investor or any other element on their behalf, shall not receive any rights in the knowledge that is obtained during the use of the experiment sites by projects that are not operated in the technology center. It shall be the responsibility of the professional committee to make sure that the above mentioned elements do not receive any rights in the said knowledge.

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- 10.4.2 The program's professional committee shall supervise that the prices charged for these services are reasonable.
- 10.4.3 If the overall demand for the use of experiment sites shall exceed their existing capacity, the committee shall set appropriate rules for site division.
- 10.4.4 The technology center is committed to protect the service recipient's confidentiality.

11. Royalties

Support recipients within the framework of a technology center project shall be exempt, by the force of this Directive, from any resulting payment of royalties.

12. Provision of additional services in the technology center

- 12.1 The technology center may support industrial R&D projects other than those technology center projects that are supported under this Directive, without taking any part in the intellectual property ownership or the shares of the supported company. This support may be provided, among other things, in the form of site allocation for laboratories or for rescue and demonstration facilities; allocation of laboratory equipment; provision of scientific support to entrepreneurs by referring them to receive consultancy and support by experts from the academy or the industry, or from employees of the technology center; support in project management and marketing; etc.
- 12.2 The program's professional committee shall make sure that the technology center and the strategic investor are committed to protect the service recipient's confidentiality.

13. The Concessionaire's obligations and rights

13.1 The concessionaire's obligations

13.1.1 Following are the conditions for the operation of the technology center:

- A. The technology center is a profit-making corporation, incorporated in the State of Israel.
- B. The existence of a building with an adequate R&D infrastructure, which may host at least ten projects.
- C. The existence of a management team that includes at least: A professional CEO, a professional business development manager, an administrative manager, as well as secretary and bookkeeping services.

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It should also offer accessibility to both accounting and legal consultancy.

13.1.2 Fulfillment of the threshold conditions, as specified in Article 4.4 to this Directive.

13.1.3 A commitment to operate the technology center for the length of the concession period that will be determined by the committee, with an annual investment of at least 1,300,000 NIS that is designed to cover the fixed expenditures of the operation of the technology center's administration. For that purpose, the concessionaire will be required to present an autonomous bank guarantee in a rate of 5% of the investment amount. This investment is part of the general investment that is required under Article 13.1.2 above.

13.1.4 The concessionaire's investment, as provided in Article 13.1.2 will be made in addition to the supplementary financing of each technology center project and in addition to the approved overhead expenses within the framework of the project's approved budget.

13.2 The distribution of rights in a technology center project – under Article 7.2 to this Directive.

13.2.1 In each project, the concessionaire will be required to negotiate with the entrepreneur about the entrepreneur's holding rate in the project company, which in any case shall not be less than 30%.

13.2.2 The concessionaire shall, in return for financing the technology center's fixed operation expenditures, receive up to 5% of the shares of each project company that is accepted into the technology center during the course of the concession period.

13.2.3 The remainder of shares on the date of the technology center project's approval shall stay in the hands of the center's concessionaire. He shall then serve as a trustee on behalf of the State and safeguard its rights until the State loan is paid back or until the State's option is exercised.

13.2.4 Following the creation of the project company, share options may be given to the company's employees, managers and entrepreneurs.

13.2.5 If the State exercises its option, the distribution of rights between the concessionaire and the State concerning the remainder of project shares, shall be made according to the relative monetary investment of each of them, as determined in the letter of approval, or as they shall determine following appropriate dilutions are made, if at all.

13.2.6 Further investment made after this date shall dilute the holdings of the shareholders in a uniform manner.

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13.3 The concessionaire's rights

- 13.3.1 The concessionaire is entitled to use his shares as leverage for additional investments, subject to the procedures of the professional committee and to his contract.
- 13.3.2 The concessionaire may, in return for his funding of overhead expenditures, charge a technology center project with up to 20% of the payroll costs in the approved budget.
- 13.3.3 The concessionaire will pay back the State loan that was given to the technology center under the following terms:
 - A. During the technology center project performance period, the repayment shall be made according to the nominal value of the State loan added by interest and linkage.
 - B. The provisions of Article 13.3.3 A shall remain valid during the first two years following the end of the project's performance period in the technology center. This, provided that the concessionaire commits to continue operating the project company in a similar scope of operations. As of that period onwards, the project company may apply to the Chief Scientist Office for a regular course of support.
 - C. During the two following years - the provisions of Article 13.3.3 A shall remain valid, provided that the concessionaire commits to continue operating the project company in a similar scope of operations. However, the interest on the State loan in these two years will be doubled.
 - D. Whenever the concessionaire will exercise his share option in the project companies, he shall pay back to the State at least 25% of his consideration, until paying back in full the State loan given to the technology center project, plus interest and linkage.
- 13.3.4 The State will be able to exercise its option, as defined in Article 2.1, if the concessionaire does not pay back the State loan until the end of the period specified in Article 13.3.3 C, or even on an earlier date, where the concessionaire violates his obligations under this Directive.
- 13.3.5 As long as the State doesn't exercise its option, the State loan will continue to accumulate interest, according to the rate specified in Article 13.3.3 C.

14. Budget and application submission date

A concession application shall be submitted to the committee's chairman, or to any other person he authorizes for that purpose. The application shall include the required details, in accordance with this Directive of the Director General.

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An application for support based on the courses of operation that are specified in Articles 7.1 till 7.3 shall be submitted on a special form to the committee's chairman, or to any other person he authorizes for that purpose. The application should be edited according to the rules and procedures that are occasionally determined and issued by the committee, and it should be accompanied by additional documentation, in accordance with the request of the committee or of any element it authorizes for this purpose. Support application forms may be obtained at the Chief Scientist Office in the Ministry of Industry, Trade and Labor, or at the following website: www.moital.gov.il/madan

15. Submission guarantee

- 15.1** The corporation's concession application should be accompanied by an autonomous bank guarantee or by a guarantee of an Israeli insurance company licensed under the Insurance Businesses Control Law, 5741-1981. The guarantee should be drafted according to the format attached as appendix A, paid to the order of the Ministry, in a sum of 5,000 NIS. The guarantee shall be valid until 1.9.2010.
- 15.2** The guarantee should be submitted according to the format attached as Appendix A only.
- 15.3** The committee will be allowed to forfeit the amount of the guarantee, in whole or in part, if the corporation withdraws his application after it was already opened, or if the corporation refuses to comply with a certain requirement it is obligated to, in accordance with its application and this Directive of the Director General.
- 15.4** The submission guarantee will be returned to corporations that failed to win, upon completion of the selection proceeding.

16. Miscellaneous

- 16.1** The provisions of the Encouragement of Industrial R&D Law, 5744-1984 – in the context of keeping the knowledge as well as the production rights in Israel, including the transfer of knowledge or production rights overseas – shall apply to the support that is provided by virtue of this Directive, under obliged modifications.
- 16.2** The procedures of the technology center program, as they shall be determined and published occasionally by the committee, are an inseparable part of this Directive.

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- 16.3** The amounts that are specified in this Directive were determined according to the 2008 budget and they shall be adequately updated in the beginning of each year, according to the rate of price appreciation.
- 16.4** The committee is not obligated to conclude the concessionaire selection proceedings within a certain time frame. However, if the selection proceedings are not concluded 90 days following the last bid submission date, the bidder may revoke his concession application and receive his submission guarantee back.
- 16.5** Without prejudice to the provisions of this Directive – if a bidder’s concession application is cancelled before the conclusion of the said 90 days period, the committee may forfeit his accompanying guarantee. The notification about application cancellation shall be delivered in writing to the Chief Scientist Office at the following address: “The Ministry of Industry, Trade and Labor, the Chief Scientist Office, 5 Bank Israel St. Jerusalem 91950”.
- 16.6** The committee may choose not to consider any unreasonable application.
- 16.7** The committee may cancel the selection proceeding where only one application was submitted, and it may – as it deems fits – initiate a new concessionaire selection proceeding in accordance with this Directive.
- 16.8** Project shall be approved within the framework of this program according to the funds allocated from the national budget for this purpose, as well as to the budgetary limitations and the committee’s discretion. In any case, this Directive should not be considered as any type of payment commitment made by the Ministry of Industry, Trade and Labor.
- 16.9** The Committee is not obligated to approve any type of application.
- 16.10** The concessionaire is obligated to always allow the Ministry or any entity acting on its behalf, including external elements, to inspect his operations, supervise over the industrial enterprise operation program, on the dates and terms that will be determined by them, and act according to the Ministry’s guidelines, as provided occasionally.

17. Commitment to follow the intellectual property laws

The applicant is committed to follow the intellectual property laws, as they are occasionally updated in the State of Israel. The applicant is aware that conviction due to a breach of the intellectual property laws shall entitle the Ministry of Industry, Trade and Labor to retroactively revoke any benefit, grant, loan, tax benefit or any other monetary gain, in whole or in part, and to demand that they shall be returned plus interest and lawful linkage differentials.

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18. Budget and application submission date

Application for participation in the competitive concessionaire selection proceeding shall be referred to the Chief Scientist Office in the Ministry of Industry, Trade and Labor. The exact submission date and location shall be published in the Ministry's website and in the press.

19. Incidence

This Directive takes effect as of the date of its signing, and it shall apply to every application that was submitted or will be submitted as of this date.

**Sharon Kedmi
Director General**

**Jerusalem, Cheshvan 21, 5770
November 8th, 2009**

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