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Potential Foreign Investors' Q&As - Regarding Swords of Iron Fast-Track

Who does the Innovation Authority considers as an "investor"?

Any person or entity who actually invests money in the company (not in monetary equivalents such as inputs or in-kind).

Who is considered an "existing investor"?

A shareholder who owns five percent or more of the company's issued share capital or the voting power thereof.

What does the Innovation Authority consider as an "investment"?

Any money actually invested in the company, whether by means of equity investment, loan convertible to equity, SAFE or debt.

What information is required from an investor when submitting the application?

The submitting company should attach the expected investment agreements, including the SAFE from the investor to its application. The type of investor should be classified in the application form submitted by the company in accordance with the size of the fund and the names of the investors. Moreover, a document confirming the expected investments and the financial ability to invest should be submitted (a CPA's confirmation or a financial statement in the event that the investor is a corporation).

What is "supplementary funding"?

Supplementary funding is a private funding that supplements the Innovation Authority grant to a total of 100% of the budget. It means that this funding cannot be used for any other purpose than the expenses recognized by the Innovation Authority as part of the approved case. As mentioned on the Innovation Authority's website, the Fast-Track is intended for companies in the process of raising capital which due to the current war situation are having difficulty raising capital, with the aim of extending their Runway as much as possible. Although there is no constraint on the source of supplementary funding, the more supplementary funding is coming from an investor with new money that has not yet entered the company, the higher the expected contribution of the grant to the extension of the Runway.

What are the criteria for assessing the grant's contribution to the applicant's survival prospect?

The criteria to assess the grant's contribution to the applicant's survival prospect is based both on the amount of the total funding required to extend the survival prospect covered by the grant and on the existing investors' willingness to extend the company's survival prospect by means of investment and provision of supplementary funding.

If the amount covered by the grant is low compared to the total supplementary funding required for the company, the contribution of the grant is lower, and the chance of receiving a grant from the Innovation Authority decreases.

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If existing investors (who have the financial capacity) are not prepared to invest and participate in the supplementary funding, the Authority will determine that the company's potential to survive, to succeed, and to raise follow-on rounds (even beyond the case period) is low, and therefore the chance of receiving a grant from the Innovation Authority decreases.

How will the Innovation Authority assess capital availability from existing investors?

The criteria to assess capital availability is based on the existing investors in the company. The research committee will examine the existing investors, their characteristics, and their ability to invest in the company's future funding rounds.

For companies whose investors cannot invest additional capital in the company, the chance of receiving a grant from the Innovation Authority increases.

How will the Authority estimate an investor's difficulty or inability to invest additional capital in the company?

The research committee will examine, among other things, the following conditions:

The investor does not have available sources of capital - if the Authority's research committee proves that the availability of the investor's capital is low (or does not exist at all), it determines that the difficulty level for the company to raise capital from this investor is high and therefore the chance of receiving a grant from the Innovation Authority increases.

Occasional foreign investors (with no significant investment activity in Israel) - if the Authority's research committee determines that the company's difficulty level of raising capital from this investor is high, the chance of receiving a grant from the Innovation Authority increases.

What happens when there are several existing investors of different types and with differing capital availability?

In this case, the Innovation Authority will weigh the different types of investors and examine their weight and influence on the fundraising round. Based on this assessment the Authority will make its final decision.

When assessing investor's investment commitment for the purpose of providing supplementary funding, what considerations will be taken into account?

Considerations include every signed investment agreement, including debt, loan convertible into equity and SAFE agreements, whether dependent on the investment decision of the Innovation Authority or not. In addition, if a Term Sheet is signed, it is also considered to be a commitment, however, the Innovation Authority's down payment and the activation of the case is conditioned by the inflow of funds. Likewise in case of a signed letter of intent (LOI).

Does the supplementary funding have to come entirely from new investments in the company, or can it also be based on sources that are in the coffers?

Money in the company's coffers can be used as supplementary funding, however, since these are companies with a short Runway, they would still need to raise additional money in order to provide sufficient supplementary funding.