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## **Incentive Track No. 35 – Program to Encourage Establishment or Expansion of Operations of Research and Development Companies of Foreign Industrial Corporations in the Fields of Biotechnology, Medical Devices or Digital Health (Pilot)**

### **1. General**

- 1.1. The National Authority for Technological Innovation (hereinafter: "**Israel Innovation Authority**") assists and encourages, directly or indirectly, technological innovation in industry in Israel through a range of tracks, tools and actions it carries out.
- 1.2. Incentive Track no. 35 – Program to Encourage Establishment or Expansion of Operations of Research and Development Companies of Foreign Industrial Corporations in the Fields of Biotechnology, Medical Devices or Digital Health (Pilot) (hereinafter: **the "Incentive Track"**), will enable large foreign corporations to establish or expand operations in the Israel of companies they own, directly or indirectly, in the fields of R&D, technological innovation or manufacturing, by basing or transferring some of their global economic activity to Israel.
- 1.3. The objectives of the Incentive Track are establishment and expansion of foreign industrial corporate activity in the field of biotechnology or the field of or Medical Devices or Digital Health in the State of Israel, into companies with full corporate activity, expansion of the number of people employed by the corporation in Israel, including employees who are not R&D employees, thereby bringing about advancement of management and operation of the global value chain, including manufacture in Israel.

### **2. Definitions**

- In this Incentive Track the following terms will be given the definition which appears in this section, unless stated otherwise in the body of the Incentive Track:

#### **2.1. "Related Person or Corporation:**

- As this term is defined in Section 21(a) of the Innovation Law;

## 2.2. "Development Area A"

- Development Area A was defined according to Section 40D of the Encouragement of Capital Investments Law, 5719-1959;

## 2.3. "The Website"

- The website of the Israel Innovation Authority;

## 2.4. "Biotechnology"

- One or more of the following:
  - (1) Brand name drugs based on a new and defined active ingredient (this definition includes RNA/DNA molecules, proteins, antibodies and small molecules);
  - (2) Cell-based products for clinical uses, including gene therapy;
  - (3) New and original products based on identification and implementation of new biochemical/cellular pathways;
  - (4) Products based on genetic engineering and production in transgenic animals or transgenic plants.

## 2.5. "Research and Development Expenses"

- Expenses spent on carrying out research and/or development according to an approved plan, regarding which the committee established in the guidelines that they can be taken into account and according to the terms established in this Incentive Track;

## 2.6. "Transfer of Manufacture Rights"

As this term is defined in the Innovation Law;

## 2.7. "The Committee"

- According to its meaning in Section 3 below, which will serve as the research committee (as defined in the Innovation Law) for the purposes of this Incentive Track;

## 2.8. "Subcommittee"

- A subcommittee which will be appointed by the Head of the Israel Innovation Authority from the members of the Committee, which will be authorized to conduct negotiations with all the proposers whose proposals comply with the prerequisites in Section 4.3 below, in accordance with the rules established in Section 4.8 below, after the proposals are examined according to the quality indices listed in Section 4.5 below.

#### 2.9. **"Technological Innovation"**

- Research or development;

#### 2.10. **"Innovation Law"**

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

#### 2.11. **"Proposer"**

- A corporation which incorporated legally in Israel and operates in accordance with the law of the State of Israel for profit, which submits a proposal by virtue of this Incentive Track, which is not a foreign company or a public incentive corporation, as these terms are defined in the Companies Law, 5759-1999;

#### 2.12. **"R&D Center"**

- A Proposer whose proposal was approved in accordance with Section 4 below and who can submit files by virtue of this Incentive Track and who is going to operate in the field of biotechnology, Medical Devices or Digital Health in Israel;

#### 2.13. **"Research", "Product", "New Product", "CEO of the Israel Innovation Authority", "Development", "Head of the Israel Innovation Authority", "Rate of Added Value", "Substantial Improvement to an Existing Product", "Substantial Improvement in an Existing Process" or "Control"**

- As these terms are defined in the Innovation Law;

#### 2.14. **"Grant"**

- Funding (including a loan) given by the Israel Innovation Authority to a proposer, for the operation of an R&D Center, in accordance with this Incentive Track;

#### 2.15. "Supplementary Funding"

- Funding not from the Israel Innovation Authority or the State of Israel, which supplements to 100% of the recognized expenses approved by the Committee;

#### 2.16. "R&D Employees"

- The research and development employees in the foreign corporation or in the R&D Center (as applicable), whether directly or indirectly employed by them or not, at a monthly average of the six months which preceded the date the proposal was submitted, based on an affidavit of the General Manager of the foreign corporation or of the R&D Center (as applicable) and according to approval from the CPA of the foreign corporation or of the R&D Center (as applicable) of the research and development expenses in the account books of the foreign corporation or the R&D Center (as applicable) and its financial statements regarding number of said research and development employees.

#### 2.17. "Annual Interest"

- As defined in Appendix E of Incentive Track no. 1 of the Israel Innovation Authority – The R&D Fund;

#### 2.18. "Medical Devices or Digital Health "

- One or more of the following: medical diagnostic tools, medical equipment and supplies, fields of digital health;

#### 2.19. "Foreign Corporation"

- A corporation which operates in the field of biotechnology, Medical Devices or Digital Health and which is not incorporated in Israel and does not operate in accordance with the laws of the State of Israel;

#### 2.20. "File"

- A request to receive a incentive by virtue of this Incentive Track, in a certain period, as part of a plan;

#### 2.21. "Plan"

- An annual or multi-year research and development plan, comprised of one or more files, in accordance with the provisions of this Incentive Track;

#### 2.22. "Approved Plan"

- A plan, all or part thereof, which was approved by the Committee;

#### 2.23. "Period of Execution"

- The period of time the Committee approved to the R&D Center for execution of a file which was approved by the Committee, for a period which does not exceed 36 months;

#### 2.24. "Entitlement Period of the R&D Center"

- The approved period of activity of the R&D Center, as established by the Committee, which will not exceed 5 years from the day the letter of approval regarding it was issued;

#### 2.25. "The Total Period of Aid"

- The period of time from the date of the beginning of the Entitlement Period of the R&D Center until the end of the Period of Execution of the files and plans of the R&D Center which were submitted during the Entitlement Period of the R&D Center, and which does not exceed 6 years;

#### 2.26. "Approved Budget"

- The plan's total budget which is comprised of the grant and the supplementary funding, as approved by the Committee.

### 3. The Committee

#### 3.1 Composition of the Committee

- The composition of the Committee is the composition of the research committee which operates by virtue of Incentive Track no. 1 of the Israel Innovation Authority – the R&D Fund.

### 3.2 Roles and Authorities of the Committee

- The Committee has the authority to take any decision required in order to operate the incentive track (provided it does not contradict the provisions of the Innovation Law, the regulations, rules, guidelines and provisions prescribed thereunder), this includes:
  - 3.1.1. To examine the proposals submitted as part of the Incentive Track for establishment and operation of the R&D Center in accordance with the prerequisites and parameters and to approve their operation.
  - 3.1.2. To take any action in order to examine and evaluate the proposers' representations, including regarding the manner of operation of the R&D Centers.
  - 3.1.3. At its discretion, to conduct negotiations with all the proposers whose proposals comply with the prerequisites in Section 4.3 below, in accordance with the rules established in Section 4.8 below, following examination of the proposals according to the quality-indices listed in Section 4.5 below.
  - 3.1.4. To establish the conditions for establishment and operation of the R&D Centers, including milestones, schedules and the entitlement period of the R&D center.
  - 3.1.5. To approve or reject, in a full or partial manner, in accordance with the guidelines the Committee will establish, any change which the R&D Center wishes to carry out compared with its original proposal.
  - 3.1.6. To follow the executions of the R&D Center and to decide whether to establish conditions and milestones for it, whether to cancel the entitlement period of the R&D Center, or whether to terminate support of it in accordance with the provisions of Section 12 below.
  - 3.1.7. To approve files submitted during the entitlement period of the R&D Center, including milestones, schedules and period of execution.

- 3.1.8. To approve or reject files submitted by R&D Centers, this includes approval of the budgets submitted by them, in their entirety or part of them, and to establish conditions for their approval.
- 3.1.9. To cancel or terminate support of an approved plan.
- 3.1.10. To take any action in order to examine the representations submitted to the Committee or for its approval.
- 3.1.11. To discuss any application submitted as part of this Incentive Track.
- 3.1.12. To establish and publish Guidelines for the execution of this Incentive Track.

#### **4. The Process of Selection of R&D Centers**

- 4.1. The Israel Innovation Authority will periodically publish on the Website and in the media, public notices regarding the possibility to submit proposals to receive approval as an R&D Center which operates in the field of biotechnology, Medical Devices or Digital Health (hereinafter: **the "Notice"**). Each notice published will state, *inter alia*, the maximum number of R&D Centers the Committee will be authorized to approve in said process.
- 4.2. As part of the proposal to serve as an R&D Center, in addition to that stated in Section 4.4 below, will be stated, *inter alia*, the R&D Center's planned activities in the field of biotechnology, Medical Devices or Digital Health; the scope of manpower expected to be employed in the R&D Center, both directly and indirectly as subcontractors, this includes the expected number of R&D employees; a description of the technological innovation and the products which will be developed in the R&D Center, and their advantages over other technologies and products; construction of research and development abilities in the R&D Center which are at the forefront of global abilities, the applicant's manufacturing operations in Israel if any exist, and other activities which are not R&D activities if any should exist, all as established by the Committee in the Guidelines.

#### 4.3. The Prerequisites:

- Said proposer must comply, to the Committee's satisfaction, with the following conditions, cumulatively. **May it be made clear and emphasized that lack of compliance with one of the prerequisites is sufficient to invalidate the entire proposal:**

- 4.3.1. The proposer is an Israeli corporation which incorporated legally in Israel and operates in accordance with the laws of the State of Israel.
- 4.3.2. The foreign corporation is the controlling entity in the proposer, directly or indirectly.
- 4.3.3. Over 50% of the foreign corporation's R&D employees are employed outside of Israel.
- 4.3.4. The foreign corporation's sales cycle, including of all the corporations it holds, directly or indirectly, at a rate of over 80%, exceeded USD two billion in the calendar year which preceded the submission of the proposal as part of the Incentive Track.
- 4.3.5. Neither the proposer nor any of its shareholders have restricted accounts and are not undergoing a receivership process, suspension of proceedings, liquidation etc.
- 4.3.6. The proposer and its controlling entity comply with the requirements of the Regulations for Encouragement of Research and Development in Industry (Stipulation of Approvals – Minimum Wage), 5771-2011.
- 4.3.7. A declaration regarding the proposer's intention to employ at least 30 additional R&D employees in Israel by the end of 3 years from the date of the beginning of the entitlement period of the R&D Center and to continue to employ the same number of employees for a period of at least two years, in the case of an existing R&D Center, or to employ at least 30 new R&D employees by the end of 3 years from the date of the beginning of the entitlement period of the R&D Center and to continue to employ the same number of employees for a period of at least two years in the case of a new R&D Center, as applicable.



#### 4.4. The Proposal to Serve as an R&D Center

- The proposer will fill out the application form in accordance with the wording determined by the Committee in the Incentive Track Guidelines and will attach all the following documents to his proposal, cumulatively:
  - 4.4.1. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.1 – the proposer's certificate of incorporation.
  - 4.4.2. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.2 – an affidavit of an authorized signatory of the foreign corporation regarding control of the proposer directly or indirectly, in accordance with the wording which will be established by the Committee in the Incentive Track Guidelines.
  - 4.4.3. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.3. – an affidavit of an authorized signatory of the foreign corporation regarding the employment of over 50% of the foreign corporation's R&D employees outside of Israel, in accordance with the wording which will be established by the Committee in the Incentive Track Guidelines.
  - 4.4.4. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.4. – an affidavit of an authorized signatory of the foreign corporation regarding the foreign corporation's sales cycle, including of all the corporations held by it, directly or indirectly, in accordance with the wording which will be established by the Committee in the Incentive Track Guidelines.
  - 4.4.5. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.5. – an affidavit of an authorized signatory of the proposer and of each of its shareholders, that none of them is the owner of a restricted account and is not undergoing a process of receivership, suspension of proceedings, liquidation etc., in accordance with the wording which will be established by the Committee in the Incentive Track Guidelines.



4.4.6. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.6. – an affidavit of an authorized signatory of the proposer whereby it and its controlling entities comply with the requirements of the Regulations for Encouragement of Research and Development in Industry (Stipulation of Approvals – Minimum Wage), 5771-2011.

4.4.7. In order to prove the proposer's compliance with the prerequisite required in Section 4.3.6. – an affidavit of an authorized signatory of the proposer whereby it intends to employ at least 30 additional R&D employees by the end of 3 years from the date of the beginning of the entitlement period of the R&D Center and to continue to employ the same number of employees for a period of at least two years, in the case of an existing R&D Center; or to employ at least 30 new R&D employees by the end of 3 years from the date of the beginning of the entitlement period of the R&D Center and to continue to employ the same number of employees for a period of at least two years in the case of a new R&D Center, as applicable, in accordance with the wording which will be established by the Committee in the Incentive Track Guidelines.

**4.5. Parameters:**

- The Committee will only examine and consider the proposals which complied with the prerequisites (listed in Section 4.3 above) in accordance with the following parameters and the weight alongside them:

		<b><u>Weight of Parameter in the Field of Biotechnology</u></b>	<b><u>Weight of Parameter in the Field of Medical Devices or Digital Health</u></b>
4.5.1.	The level of technological innovation of the R&D Center in comparison with the forefront of global technological knowledge and innovation.	20%	15%
4.5.2.	The projected yield for the economy from transfer of existing intellectual property to the State of	5%	5%

	Israel and its registration in it, as expressed in the forecast of resultant income from taxes.		
4.5.3.	The projected yield for the economy from registration of intellectual property in Israel due to a product or new product developed from the research and development carried out by the R&D Center.	5%	5%
4.5.4.	The projected addition in the number of employees of the R&D Center employed in the field of research and development who are experts with knowledge and experience in research and development which are at the forefront of the world and when the availability of such employees in Israel is low.	25%	25%
4.5.5.	The extent of expansion of additional employment circles apart from the employees of the R&D Center who are employed in the field of research and development, to wit, management and operation of the global value chain of the foreign corporation from Israel and manufacture in it.	15%	25%
4.5.6.	The potential contribution of the R&D Center to the Israeli ecosystem, as expressed by the activities of the R&D Center in new technological fields or in fields of relatively low activity in Israel and which have high growth potential or in fields in which the Israeli ecosystem has unique potential to integrate into.	30%	25%

4.6. All the proposals will receive a score in accordance with the parameters and the weight alongside them as stated in Section 4.5 above (hereinafter: **the "Quality Score"**).

- 4.7. A proposal to receive approval to serve as an R&D Center which will operate in the fields of both biotechnology, Medical Devices and Digital Health (to wit, an integrated proposal), will be graded in accordance with the weights determined for the parameters in the field the proposer declares the R&D Center intends to chose to hold most of its activities in (over 50% of the activities of the selected R&D Center).
- 4.8. The proposer will submit to the Committee, to the Israel Innovation Authority, or to anyone they authorize for such, any additional information, detail and document requested from them in order to examine the proposal.
- 4.9. The Committee or anyone on its behalf, may contact the proposers during the examination and evaluation to receive clarifications about their proposals or in order to settle disparities which can arise during the examination of the proposals.
- 4.10. The Committee or Subcommittee may conduct negotiations with all the proposers whose proposals comply with the prerequisites in Section 4.3 above, following examination of the proposals according to the quality indices stated in Section 4.5 above, subject to the following conditions:
- 4.10.1. The Committee or Subcommittee will conduct negotiations while ensuring a fair opportunity is given to each proposer it conducts negotiations with.
- 4.10.2. Each action carried out as part of the negotiations will be documented in writing in a manner which reflects the content of the negotiations, including the contact made with the proposer, the discussion and the documents and contents of the negotiations.
- 4.10.3. At the conclusion of the negotiations, each proposer may, on the date established by the Committee or Subcommittee, submit a final proposal. In the event that a proposer did not submit a further proposal, his first proposal will be the final proposal.
- 4.11. The selection from all the proposals submitted will be on the basis of the Quality Score they received, irrespective of the field the proposal was submitted in.

- 4.12. As part of the process, the Committee will select a number of proposers which does not exceed the maximum number of R&D Centers published in the notice that the Committee will be able to approve in the procedure (hereinafter – **the "Maximum Number"**), and which received the highest Quality Scores. May it be emphasized that the Committee will be permitted to decide on the number of selected proposals, *inter alia*, paying attention to budgetary considerations and to the intervals between the Quality Scores, in such a manner that it will be permitted to choose a lower number of centers than the Maximum Number, *inter alia*, in a situation where it considers the interval between the Quality Scores of those with the highest scores to be significant, in a manner which does not justify selection of the maximum number of centers.
- 4.13. A proposer who is selected will receive a notice of such, and will have to sign on a letter of commitment in the wording established by the Committee (which will include, *inter alia*, an undertaking to employ at least 30 R&D employees). Approval of the win will become valid after the said letter of commitment is signed and the issuance of a letter of approval by the Israel Innovation Authority to the R&D Center who won in the process, in accordance with the entitlement period of the R&D Center established by the Committee.
- 4.14. Notwithstanding the above, if a selected R&D Center should not begin to uphold its duties within six months from the date of the Committee's decision about the selection according to the Incentive Track, after the selected R&D Center received a letter about failure to uphold its duties and did not correct its ways according to the Committee's demands within 45 days from the date of the letter, the Committee may cancel the selection or select a proposer for an R&D Center which was ranked lower than it and did not win in the process, according to the order of the ranking in the process.
- 4.15. Without detracting from the above and from any relief or right granted to the Israel Innovation Authority, the proposal ranked as the next in line from those which did not win in the process will remain valid for a further 180 days after the conclusion of the process, in the event that one of the winning proposers should repeal its proposal or breach its undertakings or in any case in which the proposer-winner does not realize its entitlement, for any reason whatsoever. Under such circumstances the Committee may,

at its sole discretion, declare the proposer of the proposal which was ranked after it and did not win in the process as the winner of the process.

- 4.16. A notice about cancellation of a proposal to serve as an R&D Center will be transmitted in writing to the Israel Innovation Authority.
- 4.17. The Committee is permitted not to consider a proposal which it finds to be unreasonable.
- 4.18. In the event the Committee did not approve all or part of a proposal, the CEO of the Israel Innovation Authority will inform the proposer of such in writing within fourteen days from when the decision was reached.
- 4.19. The Committee may, its discretion, not select any of the proposals submitted as part of the process, in the event they do not guarantee the ultimate advantages for the Israel Innovation Authority. In such a case, or in the event that no proposal is submitted as part of the process, or that no proposal was left to discuss, the Israel Innovation Authority will be permitted to carry out a new process.

## **5. Receiving Approval for Files Submitted by the R&D Center Selected in the Process**

- 5.1. AN R&D Center can submit files for the Committee's approval in the field of biotechnology, Medical Devices or Digital Health
- 5.2. in accordance with the provisions of this Incentive Track and on the condition that it upholds all the terms of the approval given to it by virtue of Section 4 above, the provisions of this Incentive Track, the guidelines of the Incentive Track and the provisions of the Innovations Law, the regulations, guidelines, provisions and rules prescribed thereunder.
- 5.3. During the entitlement period of the R&D Center, the R&D Center will be permitted to submit files for the Committee's approval, for an execution period of no longer than 36 months, and on the condition that the total period of aid of the R&D Center does not deviate from a year from the end of the entitlement period of the R&D Center.

5.4. The Committee will not approve a plan, or a part thereof, unless it sees that the plan has a reasonable chance to lead to creation of a product which can advance the objectives of the Incentive Track; approval of a plan will be given only to an R&D Center when as a result of the execution of the plan, a new product or an existing product which a significant improvement has been made to, will be manufactured in Israel, by Israeli residents, unless the Committee is convinced by reasons which will be recorded that it is vital for execution of the plan that part of the plan be carried out outside of Israel or by someone who is not an Israeli resident.

5.5. **The Parameters:**

- The Committee's decision regarding approval or rejection of a file and the size of the grant according to Section 5.6 below, will be established by weighing the following parameters:

5.5.1. The level of innovation and originality in comparison with the forefront of global knowledge and innovation.

5.5.2. The level of technological risk involved in the development.

5.5.3. Financial-economic contribution, especially: a significant tax scope in Israel of the company's global income, *inter alia*, by means of registration and transfer of intellectual property to Israel; employment in activities with a significant contribution to training employees in innovative aspects of which there is a lack of experience in the Israeli market, and to development and advancement of the field of activity in Israel; activities of the R&D Center and its employees which are not research and development, including management and operation of the foreign corporation's global value chain in Israel; significant cooperation with entities in Israel's innovation ecosystem, including as subcontractors.

5.5.4. The projected rate of sales of the product which is the subject of the file to the global market.

5.5.5. Building research and development abilities in Israel which are at the forefront of word ability.

- 5.5.6. A declaration of the R&D Center regarding the scope of the manufacture in Israel of the product which is the subject of the file.
- 5.6. The Committee may, at its discretion, determine preconditions in the approval, for it becoming valid, and conditions which relate to the execution of the plan.
- 5.7. The rate of the grant in this Incentive Track will be: (a) During the first three years from the date of the beginning of the entitlement period of the R&D Center – a grant rate of up to 40% of the approved budget; (b) during the fourth year and the fifth year from the date of the beginning of the entitlement period of the R&D Center – a grant rate of up to 30% of the approved budget; (c) During the sixth year from the date of the beginning of the entitlement period of the R&D Center – a grant rate of up to 20% of the approved budget. In addition, additions will be given in Development Area A at rates determined by the rules stated in Appendix E of Incentive Track no. 1 of the Israel Innovation Authority – the R&D Fund.
- 5.8. The scope of the total grant of all the files submitted by the R&D Center will not exceed NIS 50 million, during the total aid period of the R&D Center. However, the Committee will be permitted, in special cases and for reasons which will be recorded, to approve a grant of a larger scope, on the condition that it complies with the parameters stated in Sections 4.4 and 5.4.
- 5.9. The provisions of Incentive Track no. 1 of the Israel Innovation Authority – the R&D Fund, and the rules and guidelines established thereunder, including provisions regarding submission of applications for a grant, their examination, budgeting plans, payments, recognized expenses, reporting procedures, examination of reports, change in the date of execution of an approved plan and application procedures for a repeat discussion will apply to this Incentive Track, with the necessary changes, with the exception of:
- 5.9.1. If expressly stated otherwise in the provisions of this Incentive Track or in the Guidelines of this Incentive Track;
- 5.9.2. The provisions of Section 2A of Chapter One; Chapter Two; Sections 4 and 7-12 of Chapter Three; Section 20 of Chapter Four; Sections 25-26 and 29 of Chapter Five; Chapter Six of



Incentive Track no. 1 – the R&D Fund will not apply to this Incentive Track.

## **6. Securities**

- The chairperson of the Committee may request, according to rules determined by the Authority Council, a prepayment on account of a incentive as a incentive regarding the provisions of the Innovation Law.

## **7. Duplicate Support**

- May it be clear that during the total period of aid, it is forbidden to receive aid from the Israel Innovation Authority and/or from the Government due to components in the plan which were approved in accordance with this Incentive Track

## **8. Knowledge and Intellectual Property**

8.1. The R&D Center undertakes to uphold the Intellectual Property laws which apply from time to time in the State of Israel. The R&D Center declares that it is aware that if it should be convicted of an offense against the intellectual property laws of the State of Israel in a final and peremptory ruling, the Israel Innovation Authority and the Committee will be permitted to retroactively cancel any incentive, grant, loan, tax incentive or other monetary advantage granted to it, all or some thereof, and to demand their refund with the addition of interest and linkage differentials as required by law.

8.2. The provisions of the Innovation Law, the regulations, the rules and guidelines prescribed thereunder and the provisions of Incentive Track no. 1 of the Israel Innovation Authority – the R&D Fund and the guidelines and rules prescribed thereunder, regarding preservation of the knowledge and manufacture rights in Israel, and the provisions not to transfer the information, rights regarding it and the rights to the manufacture derived from the research and development to anyone else, without advance approval from the Committee, will apply to the grant of the Israel Innovation Authority and the aid given under this Incentive Track, with the required changes. In order to dispel doubt, may it be made clear that full ownership of the knowledge and the rights derived from it, including intellectual property rights, will be fully and exclusively of the R&D Center.



## **9. Transfer of Production and Transfer of Production Rights**

- The provisions of Incentive Track no. 1 – the R&D Fund and the Innovation Law regarding production and production rights in Israel or abroad and transfer of the manufacture or the rights to manufacture outside of Israel, will apply to the grants given by virtue of this Incentive Track with the necessary changes.

## **10. Royalties**

- Incentives given to the R&D Center by virtue of the Incentive Track, will be exempt from payments of royalties, as defined in Section 21 of the Innovation Law.

## **11. Supervision and Enforcement Authorities of the Israel Innovation Authority**

- The R&D Center or anyone stated in the plan undertakes at any time to allow the Israel Innovation Authority, or its representatives, including external bodies on its behalf, to review its activities, on dates and under terms they establish and to act according to the instructions of the Israel Innovation Authority as established from time to time.

## **12. Cancellation of the Aid**

- The provisions of the Innovation Law, including Chapter Eight of the Innovation Law regarding cancellation of the aid will apply to the incentives given under this Incentive Track.

## **13. Budget**

13.1. May it be made clear that the Israel Innovations Authority may periodically update the amounts stated in this Incentive Track.

13.2. Giving the aid and operation of this Incentive Track are subject to approval of the budget each year, to the restrictions of the budget and to the approved budget of this Incentive Track. In any event, this Incentive Track should not be seen as a guarantee from the Israel Innovation Authority of any payment whatsoever.

13.3. In the event that on the date of approval the budget of the Israel Innovation Authority has yet to be approved, the approval of the grant will be subject to the existence of a budget in the

appropriate budgetary regulation and no final decision regarding the approved grant will be taken until after approval of the budget by the relevant bodies, whichever is earlier.

#### **14. Examination of the Effect of the Incentive Track**

- For purposes of research and measurement of the effectiveness of the incentive track, the foreign corporation or the R&D Center will undertake to transmit data to the Israel Innovation Authority, if required to do so, regarding their activities as part of the Incentive Track, in order to examine the effect of the Incentive Track.

#### **15. Miscellaneous**

15.1. The provisions of the Innovation Law, the regulations, rules, guidelines, conditions and provisions prescribed thereunder (in the event any were prescribed) will apply to this Track, with the required changes, this includes the provisions of Clause 4 of Chapter Three of the Innovation Law (The Research Committee), Chapter Three1 of the Innovation Law (The Duty of Caution and Fiduciary Duty of an Officer in the Israel Innovation Authority), Section 15BB of the Innovation Law (Application of Laws), Section DD of the Innovation Law (Income of the Israel Innovation Authority), Chapter Four of the Innovation Law (Approval of Applications to Grant Incentives), Chapter Five of the Innovation Law and Chapter Eight of the Innovation Law (General Provisions), including Section 47A of the Innovation Law (Penalties).

15.2. Guidelines of the Incentive Track, as established and published from time to time by the Committee, including regarding the process of submission of applications and the discussion of them, are an integral part of this Incentive Track. In the case of a contradiction between the provisions of this Incentive Track and the Guidelines, the provisions of the Incentive Track will prevail.

15.3. In any case, this Incentive Track should not be regarded as a guarantee from the Israel Innovation Authority to approve applications/proposals submitted or to transfer any payment whatsoever.

15.4. Guidelines, rules, notices and so forth which are determined regarding this Incentive Track will be published on the website.

## 16. Effect

- This Incentive Track will become valid on November 1, 2017.

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