

Guidelines for Grant Applications for the Establishment and Expansion of High-Tech Companies in Jerusalem

1. Background

Following Government Resolution #1483 from June 2, 2016, the Jerusalem Development Authority (herein "JDA") is expected to receive funding from the Israeli government in order to promote the establishment and expansion of high-tech companies in Jerusalem and to increase the number of employees in the high-tech sector in accordance with the conditions outlined in these guidelines.

These grants are intended for companies in the high-tech sector, including research and development companies that are establishing new operations in Jerusalem, expanding operations in Jerusalem, or relocating operations to Jerusalem, on the condition that they meet the requirements outlined in these guidelines detailed hereinafter.

For the sake of clarification, let it be stated that in addition to these guidelines, the JDA has published additional guidelines regarding grants for high-tech companies that include various conditions for eligibility. These can be read on the JDA's website at www.jda.gov.il.

2. The Goal

To promote qualifying companies (as outlined in these guidelines) to increase their workforce employed in research and development departments located in Jerusalem.

3. Definitions

- A. **High-Tech Company** – A company registered in Israel that deals in one of the following fields: development and/or research and/or production of products in the area of high-tech industry, including software, hardware, or outsourcing in these fields
- B. **Qualifying company** – A high-tech company that meets ALL of the following criteria:
 - 1. Total sales in the 12 months prior to submission of the request shall be no less than 30 million ILS. For the purposes of proving this condition alone, "a company" shall include a parent company, a subsidiary, associated companies, incrementally, in accordance with The Securities Law 5728-1968,

or alternatively,

the company will have raised over 100 million ILS in venture capital

over the course of its lifetime.

2. In the 12-month period prior to the date the application was submitted, in accordance with these guidelines and not before the determining date, the company will have established new operations in Jerusalem for research and/or development and/or production (including relocating company operations to Jerusalem).
3. In the 12-month period prior to the date the application was submitted, in accordance with these guidelines, that shall not be considered from before the determining date, the total workforce of the company will have grown by at least 30 qualifying employees (according to the definition hereinafter).
4. If the company already had operations in Jerusalem prior to the determining date, the total workforce of the company did not exceed 500 employees altogether.

For the purpose of these guidelines, contract laborers shall not be included in the calculation of the total workforce.

C. **Qualifying Employee** – A salaried employee at a qualifying company shall be considered a “qualifying employee” upon meeting the following conditions:

1. they have been employed for at least six months at the company with an appointment percentage of at least 80%;
2. they have received accredited higher education, be it academic, engineering or technical, that is relevant to their area of work in the company;
3. they work in research and/or development and/or production in the company's new operation;
4. they earn a salary above the national average (taking into consideration appointment percentage).

For the sake of clarification, let it be stated that a contract laborer or outsourced worker will not be considered a qualifying employee.

D. **Steering Committee** – A committee that will accompany the execution of the government resolution, chaired by the director general of the Ministry of Jerusalem and Heritage and whose members shall be the mayor of Jerusalem, the budget director in the Ministry of Finance, the director

general of the Ministry of Economic Affairs, the director general of the Ministry of Tourism, and the director of the JDA or representatives appointed by them

- E. **Grant Committee** – A committee comprised of the director of the JDA or an appointed representative, the VP of Finance or accountant of the JDA, and the legal counsel of the JDA. A representative of the Ministry of Jerusalem and Heritage will take part in the meetings whenever possible, with the status of an observer. The Committee will examine the applications and make decisions about them in accordance with the instructions outlined in these guidelines.
- F. **The Determining Date** – The date of the publication of these guidelines
- G. **Jerusalem** – All of the area included within the municipal boundaries of the Jerusalem municipality
- H. **Grant** – A finite, one-time, nominal payment to the company, including VAT and any other taxes, that is fixed (unlinked to an index) and shall be paid out to the company that meets all of the requirements outlined in these guidelines and in accordance with all of the instructions delineated therein
- I. **Validity**
 - 1. The instructions outlined in these guidelines shall be applied to all companies that meet the criteria for qualification following the publication of these guidelines as long as these guidelines are in effect.
 - 2. These guidelines shall remain in effect until December 31, 2020, or until an alternative date (earlier or later) shall be publicized by the JDA.
 - 3. The receipt of a grant is dependent upon on the receipt of the required funding in accordance with the government resolution.
 - 4. The steering committee or representatives on their behalf are authorized to periodically reexamine the instructions within these guidelines and to make changes therein.
 - 5. The JDA is authorized, at any time, to make changes to the regulations and/or criteria in these guidelines at its sole and absolute discretion, subject to the approval of the steering committee as well as the Ministry of Jerusalem and Heritage's legal department, provided that this does not

prejudice the grants that have already been transferred in accordance with these guidelines.

J. Eligibility

A qualifying company must meet all of the criteria outlined hereinafter, as well as the additional qualifications outlined throughout the guidelines, in order to receive a grant:

1. The company is in possession (via direct ownership or rental) of an industrial building or office space in Jerusalem for the purposes of the company's operations (within a building where such operations may be lawfully carried out). For the sake of clarification, a building which is used in violation of planning and building regulations (without obtaining a permit for such irregular usage) shall not be considered to meet this criterion.

2. The company received grant approval from the Israel Innovation Authority (including the Ideation ["Tnufa"] Incentive Program) and/or recognition from the Israel Innovation Authority as a research and development company for tax purposes. For the sake of clarification, the company does not actually have to be included in one of the Innovation Authority programs in order to receive the grant.

3. The company maintains all of the necessary certifications in accordance with the Public Entities Transactions Law 1976-5736, as an authorized officer, company accountant or a tax consultant responsible for ensuring that the account keeping is in accordance with the law, and that the company reports to the tax authorities and to the VAT office in accordance with all legal requirements.

4. The company submitted a signed application in accordance with the template outlined in **Appendix A**.

5. The company is acting according to the law, and the operations for which the company is requesting the grant are not illegal, offensive, or unethical, according to the discretion of the grant committee.

6. The company is legally registered in the Companies Register and has a valid company registration in accordance with the Israel Corporations Authority (ICA) website; the company does not have outstanding debts to the ICA for unpaid fees from previous years; the company is not classified as being in violation of corporate legal compliance and has not received warning that it is about to become classified as being in violation of corporate legal compliance.

7. The company does not owe unpaid municipal tax ("Arnona") to the Jerusalem municipality.

K. Eligibility Levels

A request may be submitted, in accordance with these guidelines, for a minimum of 30 qualifying employees, or up to 60 qualifying employees, and the grant will be calculated as follows:

1. Within the framework of the company's first grant request in accordance with these guidelines, the size of the grant will be calculated according to the following parameters:

- a. For each qualifying employee who resides in Jerusalem, the grant amount will be 120,000 ILS.
- b. For each qualifying employee who does not reside in Jerusalem, the grant amount will be 60,000 ILS.
- c. The initial grant request in accordance with these guidelines shall not be for fewer than **30** qualifying employees.

2. For every additional grant request in accordance with these guidelines (for further expanding operations in Jerusalem), the grant amount will be calculated according to the following parameters:

- a. For each qualifying employee who resides in Jerusalem, the grant amount will be 46,000 ILS.
- b. For each qualifying employee who does not reside in Jerusalem, the grant amount will be 35,000 ILS.
- c. Any additional grant request in accordance with these guidelines shall be for no fewer than **5 qualifying employees**.
- d. An additional grant request shall be submitted no later than 24 months from receiving notification of eligibility (as defined by law) and as long as these guidelines are still in force.

3. A company may be eligible to receive grants for up to 60 employees, including a company that has submitted multiple grant requests in accordance with these guidelines.

L. Receipt of the Grant

A qualifying company that meets all of the above criteria shall submit a grant request via the grant request form that appears in **Appendix A**.

This signed grant request form should be completed and the following documents as well as others, that prove compliance with the conditions of these guidelines should be submitted:

1. a valid certificate of Maintenance of Accounts in accordance with the Public Entities Transactions Law 1976-5736;
2. an updated certification from Companies Register which may be obtained on the ICA website at:
<https://ica.justice.gov.il/Request/OpenRequest?rt=CompanyExtract>
3. a signed rental contract or deed from the Land Registry Office or a Certificate of Ownership from the Israel Land Authority that proves the rights of the company to the building that houses their operations;
4. grant approval from the Israel Innovation Authority (including the Ideation ["Tnufa"] Incentive Program) and/or recognition from the Israel Innovation Authority as a research and development company for tax purposes;
5. an authorized letter from an accountant confirming the total number of the workforce, including a list of qualifying employees and the following information for each qualifying employee: their appointment percentage, relevant academic degree, salary (gross), current residence, and the date on which they began working for the company in Jerusalem. The letter must include: the total number of employees at the company, the qualifying employees and the employees that will be hired according to these guidelines;
6. an executive summary of the company's operations. The executive summary shall include the expected growth in the total workforce, if such growth is expected. If the company in question is beginning new operations in Jerusalem or is relocating operations to Jerusalem, the expected date of the start of operations in Jerusalem must be noted, whether it be new operations or relocated operations.
7. proof of residence for qualifying employees who live in Jerusalem and for whom the company is applying for the augmented grant.
8. academic certification showing that the employees meet the qualifications of the grant's conditions.

M. Grant Payment Method

1. The Grant Committee shall receive the applications and examine them in accordance with these guidelines and may request additional details,

clarifications and supplements from the company. If the grant committee decides in favor of the company's request, written confirmation will be provided to the company (herein "Certificate of Eligibility").

2. The payment of the grant is conditional upon meeting all of the requirements of these guidelines for a period of 18 months, in accordance with the following timeline:

- a. 60% of the grant will be disbursed as an advance payment upon receipt of the notification of eligibility.
- b. The remainder of the grant will be disbursed 18 months after the notification of eligibility, on condition that the company continuously meet all of the criteria outlined in these guidelines for the entirety of the period, as well as any additional qualifications outlined in the eligibility notification documentation.

3. For the sake of clarification, let it be stated that if a qualifying employee leaves the company during the grant period, the company may present another qualifying employee instead, on the condition that the alternate employee still meets all of the criteria outlined in these guidelines for grant qualification (including having been employed at least six months prior to submission of the grant request as well as residency in Jerusalem, assuming the employee who left was also a Jerusalem resident). It should be clear that this employee is reckoned in place of the other employee with respect to the existing grant money and does not constitute grounds for new, additional grant money. Notification regarding the personnel change shall be provided to the JDA in real time and will be reported among the final documentation.

4. A company is permitted to apply to the grant committee for the purposes of receiving preliminary request authorization, even if it has yet to meet all of the conditions of eligibility. The committee has the right, though is not obligated, to examine the request on the basis of the information that has been presented to it, to reject the request or to provide preliminary authorization, including setting conditions for authorization, whether they are those outlined in these guidelines or otherwise, as it sees fit (herein "preliminary authorization"). For the sake of clarification, let it be stated that the committee is authorized, at any time, to cancel the preliminary authorization, without the company having any redress against the JDA, in one of the following circumstances:

- the information regarding the company that was presented to the committee has since changed and the company no longer meets the criteria of the preliminary authorization.

- there is no more suitable funding available, or the guideline period has expired, or for any other special reasons that shall be explained by the committee.

5. The committee has complete discretion to reject a grant request, or to accept it partially, even if it meets all of the conditions of these guidelines, if, according to the committee, the request does not meet the goal of the guidelines or does not fulfill the goal of allocating financial assistance according to the guidelines or according to the government resolution that is the framework for these guidelines. The committee will explain its reasoning in writing.

6. In a case where an eligible company which has already received notification of its eligibility violates the conditions of eligibility or the instructions of these guidelines, the following will result:

- a. If the company notifies the JDA within 30 days of the violation, the company will be obligated to return the advance payment and any other payment made to the company (if such a payment was indeed made), including the difference linked to the increase in the Consumer Price Index from the date of the original payment until the date of actual reimbursement.
- b. If the company does not notify the JDA within 30 days of the violation, the company will be obligated to return the entire amount outlined in the previous clause (a), plus an additional rate of 6.5% interest calculated annually from the date of the original payment until the date of reimbursement.

N. General

1. There is nothing to prevent a company from resubmitting a request that had been previously submitted but had not met the criteria, provided, and this is dependent on, and, that the new request meets all of the requirements of the guidelines. In such a case, the examination of eligibility will take place in light of the budgetary state at the time of submission of the adjusted request. Requests will be examined on a first come-first served basis, as long as the program has not yet ended.
2. A company that has already received a grant from the JDA through the Program for Assisting Start-Up Companies Active in Jerusalem will

NOT be permitted to request a grant in accordance with these guidelines for two years from the time they received the grant according to the Start-Up Guidelines.

In submitting a request in accordance with these guidelines, the company declares that it is aware of the prohibition against receiving parallel funding from the government, and it pledges to immediately update the JDA if it were to receive funding from a different government source for the same operations for which it is requesting this grant, and commits to return the money if requested to do so.

3. For the sake of good order, let it be made clear that the implementation of this program is dependent upon the receipt of the appropriate funds, and in the case of said funds being withheld, cancelled, or otherwise delayed, the JDA is authorized to cease or suspend the program accordingly.
4. It should be clear that only a signed notification of eligibility provided by the JDA obligates the JDA, and that until the applying company has received a signed notification of eligibility, the JDA is not in any way obligated, and this includes companies that meet the eligibility requirements and/or companies that have submitted requests.

This document is intended for general information purposes only and is not intended to be a binding and/or legal document in any way.

Date of publication of these guidelines: October 23, 2018

Date of expiration of these guidelines: December 31, 2020

Appendix A

Grant Request Form

Date of receipt of the request at the JDA Offices

(For office use only) _____

To: The Jerusalem Development Authority

2 Safra Square

Jerusalem

**Guidelines for Applying for a Grant for the Establishment and Expansion
of High-Tech Companies in Jerusalem**

Grant Request Form

I. Company Information

Name: _____

Company number: _____

Date of incorporation: _____

Name(s) of owners: _____

Name of CEO: _____

Jerusalem address: _____

Name of applicant contact person: _____

Contact person position: _____

Phone number(s): _____

Fax number(s): _____

Email(s): _____

II. Requested Grant

Type of business for which grant is being requested:

Description of activity for which grant is being requested:

Number of qualifying employees: _____

Of the qualifying employees, how many are Jerusalem residents? _____

III. Company Statement and Commitment

The company declares and commits to the following:

1. I have read the conditions of the procedure, they are clear to me, and I agree to all of the conditions without reservation.
2. The company meets the definition of a "qualifying company," fulfills all of the criteria outlined in the guidelines, and is eligible for the grant according to the instructions in the guidelines.
3. The company is in possession (through direct ownership or rental) of an industrial building or office space in Jerusalem for the purposes of the company's operations within a building in which such operations may be lawfully exercised. For the sake of clarity, it is stated that a building used in violation of planning and building regulations (without obtaining a permit for such irregular usage) shall not be considered to meet this condition.
4. The company received grant approval from the Israel Innovation Authority (including the Ideation ("Tnufa") Incentive Program) and/or recognition by the Israel Innovation Authority as a research and development company for tax purposes.
5. The company is acting in accordance with the law, and the operations for which the company is requesting the grant are not illegal, offensive, or unethical.
6. The company does not owe unpaid real estate tax ("Arnona") to the Jerusalem municipality.
7. If, in the opinion of the committee, the conditions of the guidelines are violated, the company hereby commits to immediately returning all of the money that has been received according to clause 8(F) of the procedure. Any reservations or claims that the company may have will not delay the immediate restitution of the funds.

8. The company confirms that it is familiar with the prohibition against receiving double grants from the government, and it commits to immediately updating the JDA if it were to receive funding from a different government source for the same operations for which it is requesting this grant, and commits to returning the money if requested to do so.
9. The company declares that it has not received in the two years prior to the submission of this request a grant via the Start-Up Procedure.
10. It is known to the applying company that the committee is authorized at its discretion to accept and/or reject my request and/or to stipulate conditions even if the company meets all of the criteria outlined in the procedure. Furthermore, the company declares that it understands that the committee's decisions are final and unappealable. The company further declares that it or its representatives will not make any claims against the committee regarding its actions or judgements.
11. The company commits to carrying out all requested demands and obligations as a condition to receiving the grant payment.
12. The company commits to updating the JDA about any change in this request, the appendices, or the information provided within, including any instance of violation of the obligations in accordance with the procedure, immediately upon the occurrence of the change.
13. It is known to the company that if the grant request is approved, eligibility will remain dependent upon the continual fulfillment of all of the conditions of the procedure for the entire period of eligibility. The company commits to presenting to the JDA any appropriate authorization or certification that the JDA may request within the time frame given by the JDA.
14. It is known to the company that the disbursement of the grant is conditional upon receipt of the appropriate funds, and in the case of said funds being withheld, cancelled, or otherwise delayed, the JDA is authorized to cease or suspend the program, and withdraw from the disbursement of the grant respectively, even after notification of eligibility.

15. For the sake of clarity, let it be stated that the signing of this document does not obligate the JDA to provide assistance and/or indicate eligibility in accordance with the conditions of the procedure, and that as long as a notification of eligibility has not been given to the company, and as long as the company has not met all of the qualifications in their entirety, without any exceptions, the JDA has no obligations towards the company.
16. For the sake of clarity, let it be stated that only a signed notification of eligibility provided by the JDA obligates the JDA, and this is on condition that the company meets all of the obligations and conditions outlined in the procedure and in the notification of eligibility, and that until the signed notification of eligibility is received by the company, the JDA is not obligated at all.
17. The company authorizes the JDA to petition any third party for information verifying the company's declarations and to examine my compliance with the conditions of the procedure, in order to consider the request as well as to monitor the fulfillment of the procedure.

IV. I hereby attach the following documents:

#	Document	V / X
1	Grant approval from the Israel Innovation Authority (including the Ideation ("Tnufa") Incentive Program) and/or recognition by the Israel Innovation Authority as a research and development company for tax purposes	
2	Approvals/authorizations/certificates in accordance with the Public Entities Transactions Law 1976-5736 as an authorized officer, company accountant or tax consultant responsible for ensuring that the account-keeping is in accordance with the law, and that the company reports to the tax authorities and the VAT office in accordance with all legal requirements	
3	An updated extract from the Companies Register which can be obtained on the ICA website	
4	A signed rental contract or deed from the Land Registry Office or Certificate of Ownership from the Israel Land	

	Authority that proves the rights of the company to the building that houses their operations	
5	An authorized letter from an accountant confirming the total workforce, including a list of qualifying employees, as well as, for every qualifying employee, their appointment percentage, relevant academic degree, salary (gross), current residence, and date on which they began working for the company in Jerusalem (Note: The letter must include the total number of employees at the company, the qualifying employees, and the employees that will be hired according to this procedure.)	
6	An executive summary of the company's operations: The executive summary shall include the expected growth in the total workforce if such growth is expected. If the company in question is starting new operations in Jerusalem or is relocating operations to Jerusalem, the expected date of the start of operations in Jerusalem must be noted, be it new operations or relocated operations.	
7	Proof of residence for the employees who live in Jerusalem and for whom the company is requesting the grant	
8	Academic certification showing that the employees meet the qualifications of the grant's conditions	

Date

Authorized Signatory
(Full Name & Company Stamp)

Signature & Stamp