

# State of Israel



**Prime Minister's Office**  
National Program for  
Alternative Fuels

**Ministry of Industry, Trade & Labor**  
Industrial Research & Development Administration  
Office of the Chief Scientist

**Ministry of Finance**  
Budgets Department  
Accountant General

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## **Request for Information (RFI)**

**Related to: The program for the encouragement of investments in venture capital backed companies in the field of alternative fuels for transportation**

**The Government of Israel, through the Office of the Chief Scientist in the Ministry of Industry, Trade & Labor and the Team of the program for the encouragement of investments in venture capital backed companies in the field of alternative fuels for transportation, hereby calls all interested parties to present information and position papers concerning The Program .**

### **Background**

The Government of Israel has passed on 30 January 2011 a Resolution (no. 2790) to carry out a national program to encourage the development of technologies that will reduce the global consumption of petroleum-based fuels in transportation and to boost knowledge-based industries in this field (hereinafter - The National Program). Within the framework of that resolution it was also decided to create a program for the encouragement of investments in venture capital backed companies in the field of alternative fuels for transportation (hereinafter - The Investment Encouragement Program or The Program). A total budget of 400 million NIS was allocated to The Investment Encouragement Program to be exploited in the period of 2012-2020.

The objective of The Investment Encouragement Program is to bring about the creation of a market of private investments in ventures capital backed Israeli companies active in the field of alternative fuels for transportation, seen as an important element in creating a comprehensive system, through various means, to support the achievement of the goals of The National Program.

In order to formulate The Investment Encouragement Program a Team was appointed, led by the Chief Scientist of Ministry of Industry, Trade & Labor with the participation of a representative of The National Program's Administration at the Prime Minister's Office, a representative of the Budgets Department of Ministry of Finance and a representative of the Accountant General Department of Ministry of Finance (hereinafter - The Team). The

Team hereby appeals to investors, corporations and all interested parties, from Israel and abroad, to present information and position papers concerning The Program, with the aim to formulate rules and outline the principles that will streamline the process of establishing The Program in order to achieve maximum effect.

It should be emphasized that this Request is not an invitation to submit proposals and is not part of tender procedures or any other procedure for receiving proposals, but a Request for Information only and hence further actions regarding The Program will be considered. Without derogating from the content of this document, the Team or whomever on its behalf reserve the right to contact the recipients, all or some, with clarification questions or request for additional information or data, while this will not create any commitment to the Team or whomever on its behalf towards the recipient. It should be clarified and emphasized that this request does not constitute a suggestion or invitation to submit application in accordance to the Mandatory Tenders Regulations, 1993 or in accordance to any law or any other procedure.

## **Essentials of The Program**

### **A. The Governmental Support**

1. The government will participate in approved investments by 30% of the total approved investment in a company, while total investment consists of the investment of the investor and the governmental support.
2. The minimal scope of governmental support approved for an investor's investment in a company will be 750,000 NIS (for a total investment of 2.5 million NIS) and the maximal one will be 12 million NIS (for a total investment of 40 million NIS).
3. The maximal extent of governmental support for accumulative investments in a company along the years of The Program, made by one investor (or whomever related) or by various investors, will be 30 million NIS (for a total accumulative investment of 100 million NIS in a company).
4. The investor will commit to the government that on any income arising from the investment, he will return the government its relative share of the total investment, up to a ceil of the total governmental support the investor has received, linked to LIBOR+3%. The term "income" for the purpose of this section – sale of shares, receipt of dividends or any other form of remuneration.
5. The investor's shares in the company will be mortgaged to the government until the full repayment of the governmental support, linked to LIBOR+3%. The government reserves the right of protection from dilution related to the mortgaged shares in future capital raising rounds the company will uphold, in case the investor will participate in those capital raising rounds. This anti dilution right granted to the government will be in force up to a ceil of the total governmental support the investor has received, linked to LIBOR+3%.

6. In case following the receipt of the governmental support, further investments are made in the company by an investor who is an industrial corporation, resulting in the investor's share in the total company's shares exceeding 49%, the investor will be immediately obliged to fully repay the total governmental support he has received, linked to LIBOR+3%, or alternatively, at the option of the company, the company will take upon itself this commitment, which will be applied only after the company will generate revenues from sales, through royalties at the rate of 5% from the company's annual revenues.
7. In case the governmental support has not been fully repaid, linked to LIBOR+3% by the investor by the termination of 12 years from the day of receipt, the commitment to fully repay the governmental support will be transferred to the company, which in return will get possession of the investor's mortgaged shares. In that case, the commitment will be applied only after the company will generate revenues from sales, through royalties at the rate of 3% from the company's annual revenues, up to ceil of the total governmental support that was granted to the investor, linked to LIBOR+3%.
8. The investor may at any time repay the governmental support, linked to LIBOR+3% and thereby remove the lien from the mortgaged shares.

## **B. Investments' Approval**

1. All investment proposals must be presented to The Program's Committee for review and consideration of approval.
2. An application for investment approval could be submitted to The Program's Committee either within a framework of an Allocated Investment Line (see details in section C below), as stated in section 2.1 below, or not within such a framework, as stated in section 2.2 below:
  - 2.1 An application for investment approval which will be submitted to The Program's Committee within a framework of an Allocated Investment Line will be approved upon the determination that the company is in the field of "Alternative Fuels for Transportation" and that it meets the definition of "Company", as defined in this document.
  - 2.2 An application for investment approval which will be submitted to The Program's Committee not within a framework of an Allocated Investment Line will be presented to the committee after reviewing that the applying investor and the company being suggested to invest in meet their corresponding definitions of "Investor" and "Company", as defined in this document. Prioritization in approving such applications will be given in accordance with investors' conformation to the criteria specified in paragraph C3 in this document.

## **C. Investment Line Allocation to an Investor**

1. Without detracting from the principles stated in paragraphs A and B above, an investor, upon determination that he meets the definition of

- "Investor", as defined in this document, may request an Allocation of an Investment Line, which will be reserved for him for exploitation during one year period from the day of approval by The Program's Committee.
2. An Investment Line allocated to an investor will ensure that investor that a portion of the budget of The Program will be held in reserve for investment proposals that he may present to The Program's Committee for a period of one year from the day of approval. It should be clarified and emphasized that an Allocated Investment Line does not guarantee the approval of investment proposals and that all investment proposals must be reviewed and considered for approval as outlined in paragraph B above.
  3. The Program's Committee will decide on Investment Line Allocations and their extent on the basis of the following criteria:
    - a. Proven experience of the investor with investments in technological companies and projects in general, and in technological companies and projects in Clean-tech fields and Alternative Fuels for Transportation in particular.
    - b. Volume of investments and capital raised by the investor in Israel and abroad.
    - c. Creating investor's specialization in the field of Alternative Fuels for Transportation.
    - d. Leading international investors capable of bringing advanced technological know-how to Israel as well as assisting in the global implementation of technologies developed in Israel, or alternatively, investor's proven cooperation with such investors.
    - e. The financial capabilities of the investor for further investments in companies, beyond the scope of the governmental support granted within the framework of The Program.
    - f. Investor's dedicated fundraising for investments in the field of Alternative Fuels for Transportation.
    - g. The assessment of The Program's Committee of the investor's contribution to the establishment of a private investment market in Israel for Alternative Fuels for Transportation.
  4. The minimal Investment Line will be of 5 million NIS and the maximal one will be of 10 million NIS per year.
  5. For an Allocated Investment Line, an investor will pay the government the value of 1% of the allocation extent, which will be refundable upon the full use of the Allocated Investment Line.
  6. The option of an Investment Line Allocation to an Investor will be in effect only up to year 2018.
  7. An investor to whom an Investment Line has been allocated will be given first right for an additional Investment Line Allocation in the following year at a level of 75% of the extent utilized in the first year and in subsequent years at a level of 100% of the extent utilized in the previous year. For instance, an investor who has been allocated with the maximal extent of Investment Line of 10 million NIS in the first year of his participation in The Program, and who has fully utilized that allocation, will have the first right for an additional allocation in the second year in the extent of 7.5 million NIS, and a similar extent of 7.5

million NIS in each of the following years (up to year 2018), given that each year he has fully exploited the Investment Line allocated to him. In that manner, an investor who will join The Program in 2012 and will receive the maximal Investment Line Allocation in the extent of 10 million NIS, could enjoy from Investment Lines Allocations in the accumulative extent of 55 million NIS (10 million NIS in the first year and 7.5 million NIS in each year thereafter) until year 2018, given that each year he has fully exploited the Allocated Investment Line.

8. It is hereby clarified that the first right given to the investor for further Investment Line Allocations, does not prevent him, if he chooses to do so, from applying for the maximal Investment Line Allocation each year.
9. It is hereby clarified that Investment Line Allocation to an Investor is only optional and an investor could apply for investment approval also without having an Allocated Investment Line.

#### **D. Definitions**

The following definitions are applicable for the following terms in this document, unless otherwise stated:

"Investor" – An Israeli or foreign Venture Capital fund; An Israeli or foreign investment partnership that is not a Venture Capital fund; An Israeli or foreign industrial corporation whose holding share in the company's shares after the investment will not exceed 25%; A commercial company whose holding share in the company's shares after the investment will not exceed 25% and any other investor not mentioned above who is expected to contribute to the achievement of the goals of The National Program and receives the approval of The Program's Committee.

"Company" – A corporation incorporated in Israel, acting in accordance with the laws of the State of Israel, whose center of operation is located in Israel and whose main activity consists of industrial research and development and implementation of innovative technologies in the field of Alternative Fuels for Transportation. Total investments in the company prior to date of submitting application for support have not exceeded 50 million USD.

"Alternative Fuels for Transportation" – Technology that is expected to bring about a direct reduction in the global consumption of petroleum-based fuels in transportation, including: technologies that bring about a more efficient use of petroleum-based fuels in transportation, such as efficient propulsion systems and automotive engineering solutions that bring about the reduction of fuel consumption; Alternative solutions to petroleum, such as fuels deriving from biological sources and synthetic fuels; Innovative propulsion technologies, such as electric propulsion and hydrogen propulsion; fuel cells; any innovative and breakthrough solution yet to be developed or discovered, aiming at a direct reduction in the global consumption of petroleum-based fuels in transportation. Power generation technologies are not within the scope of The Program.

"The Program's Committee" – a committee chaired by the Chief Scientist of Ministry of Industry, Trade & Labor, which will be empowered to approve any action related to the implementation of The Investment Encouragement Program, including the approval of investors and companies, the approval of an Investment Line Allocation to an investor and investments' approval. In order to have a prompt response to investors' applications, the committee shall meet at least once every 3 months, subject to the existence of available budget in The Program at that time.

#### **E. The Program Budget**

The total budget for the lifetime of The Program is 400 million NIS. Its allocation would be as follows: 80 million NIS for the first year and 40 million NIS for each of the subsequent years.

#### **F. Rights on Know-how**

Any know-how resulting from the investment in the company within the scope of The Program and any right deriving therefrom will be fully owned by the company. Any transfer of know-how and any right deriving therefrom out of Israel will require the prior approval of the Program's Committee. The Program's Committee will have the authority not to approve transfer of know-how out of Israel in cases where there will be a real concern that the recipients of the know-how have a conflict of interest with the objectives of The National Program and that the transfer of know-how to those recipients might cause the cease of the development and implementation of it in global markets with the recipient's objective to prevent the reduction in global consumption of petroleum-based fuels in transportation.

#### **G. Additional Support**

Support to the investor within the framework of The Program will not impede the company from receiving additional support from the government in any other support program offered by the Office of the Chief Scientist, as long as the application for support is not in an investment which is the Supplementary Financing in a Technological Incubator or in a Project Company in the Renewable Energy Technological Center. "Supplementary Financing" and "Project Company" for the purposes of this section are as defined in Directives No. 8.3 and 8.14 of the Director General of Ministry of Industry, Trade & Labor, and up to 100% of the approved budget of a Project Company.

#### **Comments and Reactions**

To the extent you wish to present your position in relation to The Investment Encouragement Program, please send your written comments to email address [oilaltinvp@ocs.moital.gov.il](mailto:oilaltinvp@ocs.moital.gov.il) by no later than 2.1.2012.

## **General Information and Reservation of Rights**

1. Without detracting from the content of this Request for Information, the Team, the Office of the Chief Scientist and whomever on their behalf, reserve the right to contact the respondents to this Request, all or some, with clarification questions of request for further information or data, from the date of publication of this document.
2. The Team, the Office of the Chief Scientist and whomever on their behalf, may use the content of the documents presented by the respondents, in the process of formulation of The Program or to any other use, and reserve the right to reply or not reply to responses received to this Request, as received.
3. The Team, the Office of the Chief Scientist and whomever on their behalf, might use at some point of time the information provided by respondents to this Request. With this in mind, respondents will be barred from having against the government, The Team, the Office of the Chief Scientist and whomever on their behalf, any claim and/or demand for any rights related to and/or deriving from their reply to this Request and/or from any annexed material.
4. This Request is not to create any commitment to any of the respondents and the government, The Team, the Office of the Chief Scientist and whomever on their behalf may consider following actions in accordance to their discretion. The terms of The Investment Encouragement Program, in the process of being formulated, which are published in this Request will not create any commitment of the government or whomever on its behalf, not in relation to The Program and not in relation to carrying it out. The Team may change the terms of The Program, some or all of them, as it deems fit at its sole discretion. The Team, the Office of the Chief Scientist and whomever on their behalf may meet at any point of time with any party they see fit, in accordance with the provisions of any law and without being subject to any restrictions of any kind.
5. The publication of this Request for Information or any act related to it does not create a commitment of the government or whomever on its behalf to any person or entity.
6. All expenses incurred in preparing and submitting information in response to this Request are at the sole responsibility and funding of the recipients or the respondents to this Request.
7. Submitting a response to this Request is not a prerequisite for participation in future proceedings if and as they occur.

**This English version is an unofficial translation of the Hebrew version and is presented for information only.**