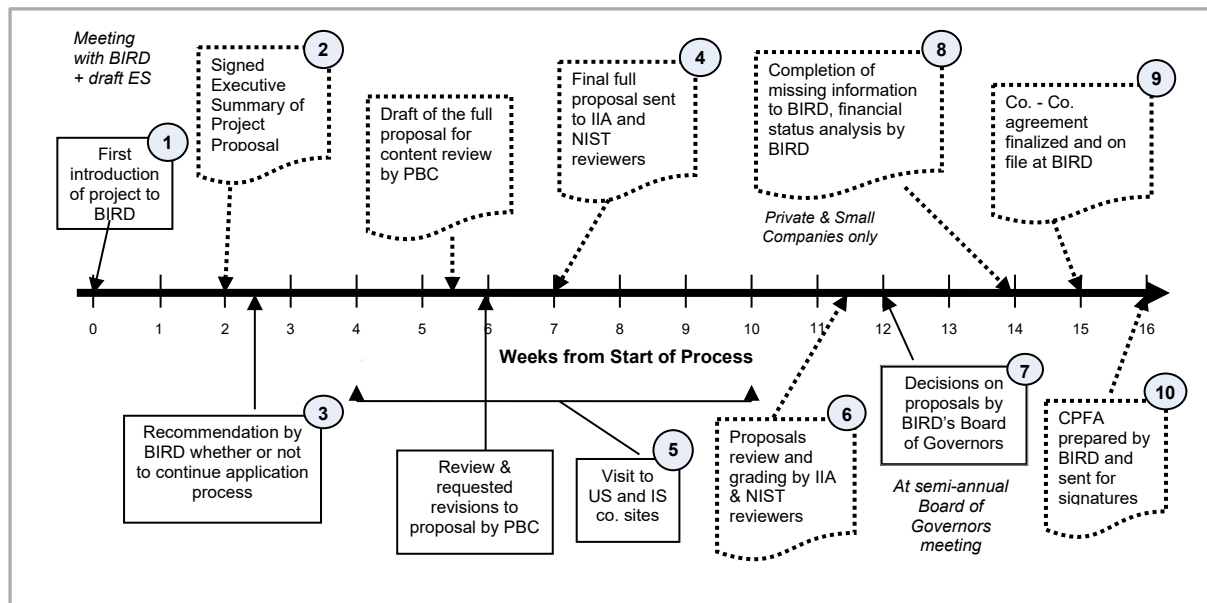


2. The BIRD Project Application Process and Timetable

Following is a description of the BIRD project application process and timetable. This 10-step process begins with the initial introduction of the potential project to BIRD staff by the "Proposers" and is completed when BIRD transfers the first "grant payment" to the Proposers. The timetable to complete this process can be as short as **approximately seventeen (17) weeks**, as illustrated in the flowchart below:



2.1. Step 1: Introduction of Potential Project to BIRD

BIRD strongly recommends to Israeli and U.S. companies that are considering applying for project funding with a respective U.S. or Israeli partner, to meet with a BIRD representative as soon as possible, to introduce their company, their innovative technology, and their potential new product. This introductory meeting, which can be held even before a specific partnering company has been recruited or identified, can assist the company to better understand BIRD's criteria for company qualification, suitable partnering relationships, innovative products, and commercialization potential.

Typically, one of the two companies will initially approach BIRD for the project's funding support. Ideally, an Israeli company should contact a staff member at BIRD's Israel headquarters, and a U.S. company should approach their regional U.S. BIRD representative. It is recommended that the company be represented by at least one individual who is familiar with both the technical and business (commercial) aspects of the proposed project and is authorized internally to initiate and promote such a project.

When both partnering companies have been identified and the general scope of their joint venture has been defined, the issues and topics that are typically discussed at the introductory meeting are:

Company Background: Technical, marketing, and financial assets, as well as the relevant strengths of each company for the successful completion and commercialization of the proposed development project. These include the characteristics and qualities possessed by each company that would make it a good partner to the other company.

The Innovation: Description of the product to be developed, including its uniqueness, innovation, and the solution it provides for current and future market needs.

The Project Scope: An estimate of the approximate total development budget for both companies and the expected project duration.

Collaborative Relationship: Description of the anticipated role of each company during project development and commercialization. This should include division of the development budget between the two companies, non-BIRD financing sources for project expenses and the arrangement between the two companies regarding revenue and profit sharing and other benefits expected to be derived from commercialization.

Commercial Potential: Description of the estimated market size for the proposed product and the total \$ value of direct sales revenue expected to result from the developed products over the first 3 years of commercialization.

It is recommended, though it is not essential, that prior to the introductory meeting, the companies submit to BIRD a draft of the Executive Summary of Project Proposal (see section 3.2.), which, in essence, relates to the same 5 issues listed above. At this stage, the Executive Summary does not have to be complete, nor does it have to be signed by either of the companies.

At the introductory meeting, the BIRD representative will acquaint or update the company representatives with BIRD application procedures and timetables, as well as grant payment and repayment obligations, as requested. At the conclusion of the meeting, the BIRD representative will usually be able to give the companies a recommendation whether or not to proceed with the formal submission of an Executive Summary.

2.2. Step 2: Submission of the Executive Summary of Project Proposal

[Feasible timeframe: 2 weeks from the process start]

Once the Israeli and U.S. companies decide to (1) jointly undertake the development and commercialization of a defined product and (2) apply to BIRD for partial funding of the project, the companies will complete and sign the Executive Summary of Project Proposal (template on BIRD's website: <https://www.birdf.com/procedures-submission-forms/>) and submit it through BIRD's "Upload" System. The instructions on how to upload information can be found on BIRD's website: <https://www.birdf.com/upload-system/>.

It is highly recommended for both companies to register on the Upload system well ahead of the deadline for Executive Summary Submission so that you can ensure on-time submission. The Upload System will close exactly at the deadline and no extensions will be made.

At this stage, a formal agreement between the companies need not be in place, although it is quite common to find a joint Memorandum of Understanding (MOU).

2.3. Step 3: BIRD's Review of the Executive Summary of Project Proposal

[Feasible timeframe: 2.5 weeks from the process start]

Within no later than a week following the deadline for the submission of the complete and signed Executive Summary of Project Proposal, BIRD will issue their written recommendation to the companies regarding whether or not to proceed to the next step in the application process – the

preparation and submittal of the full project proposal.

2.4. Step 4: Preparation and Submission of the Full Project Proposal

[Feasible timeframe: 7 weeks from the process start]

The companies will jointly prepare a full project proposal, following the detailed instructions given in section 3 below. A draft of the proposal may be reviewed by BIRD's assigned PBC (Primary BIRD Contact), to ensure adherence to BIRD's proposal preparation guidelines, including completeness, clarity and consistency of its contents. The draft proposal must be submitted using [BIRD's Upload System](#). After incorporating all changes and enhancements recommended by the PBC, the companies must upload the final proposal to [BIRD's Upload System](#).

There is a formal deadline in the project proposal process. The upload system will be closed on the deadline schedule specified on BIRD's website. In order to ensure that a proposal be approved at the next scheduled meeting of BIRD's Board of Governors (BOG) (see Step 7, below), the proposal and all accompanying required information and documentation need to be submitted prior to the specified deadline. Furthermore, failing to comply with all the instructions and requirements set forth for the preparation of the proposal will cause the rejection of the proposal and it will not be considered a candidate for BIRD support.

2.5. Step 5: Meetings with Company Officials during BIRD's Company Site Visit

[Feasible timeframe: Anytime between 4-10 weeks from the process start]

As a step in the application process, a BIRD representative will meet with top management and with key technical and business executives from each of the two participating companies who are familiar with the proposed BIRD project. This will be done during a scheduled visit to one of the development or operating sites of each company. The company site visit will usually take place between the date of submittal of the Executive Summary (see Step 2, above) and the week preceding the BOG meeting (see Step 10, below).

The purpose of a company site visit is usually to introduce BIRD to the company's relevant personnel, to answer questions they might have regarding BIRD's assistance model, procedures and timetable. It also provides BIRD with the opportunity to get to know the people relevant to the project, better understand the company's capabilities and commitment to the project as well as its role in the development and commercialization of the joint product.

2.6. Step 6: Proposal Review and Grading by the IIA/NIST Reviewers

[Feasible timeframe: Usually within 11-12 weeks from the process start]

Both the reviewers from the Israel Innovation Authority (IIA) and the NIST will receive a copy of the full project proposal for review.

The reviewers are independent professionals with specific technological and business background relevant to the reviewed project. The main questions the reviewers will address are:

The Product and the Technology – What is the extent of technological innovation in the product to be developed? Is the technological approach sound? What are the technological challenges and assessment of the technological risks? What competing technologies exist and what are their relative disadvantage? What is the project's technological maturity and level of readiness for demonstrations and pilots?

The Project Plan – Is the plan viable and realistic? Is there anything missing (i.e., who, what, where, when etc.)?

The Budget – Is it realistic? Does it contain unnecessary expenses, or does it lack others that are crucial?

The Market – Is the estimate of the market size, market share and commercial potential realistic? Who are or will be the main competitors in this market?

Production plans - Is the plan viable and realistic? Is there anything missing (i.e., who, what, where, when? etc.)

Capabilities of the Companies – The qualifications of the development teams and their ability to successfully carry out the development objectives. The resources available to carry out the marketing/sales and sales support responsibilities.

Synergy between the Companies – How well do you think the companies will work together and perform over the course of this project?

Benefits – What benefits is the project expected to yield to both companies and to the Israeli and US national economies?

After reviewing their proposal, the IIA reviewers will conduct a virtual meeting with both companies to discuss the project, get to know the people, and expand on specific issues they will seek more information or clarification on.

The NIST reviewers work according to US Federal guidelines for such reviews and will base their evaluation only on the proposal submitted. The reviewers might request companies to clarify and expand on topics not sufficiently covered in the proposal or to relate to comments raised by them. Such requests will be conveyed to the applying companies, typically through the PBC, and the companies are expected to respond to these specific questions/comments promptly. Both the IIA and the NIST will submit to BIRD the review summary and their recommended grading of the project proposal. The project's grading from the IIA, the NIST and from BIRD will be presented to BIRD's Board of Governors (BOG) and its advisors and will serve as supporting material in the project approval process.

2.7. Step 7: Decision on the Proposal by BIRD's Board of Governors

[Feasible timeframe: Usually within 12 weeks from the process start]

BIRD's Board of Governors (BOG) convenes twice a year to act upon grant applications (amongst other issues on its agenda). The BOG meetings are typically held every June and December, alternating between Washington, D.C. and Israel.

The BOG is comprised of six members with voting rights on proposals: three representatives each from the U.S. and Israeli governments. In addition, the advisors to the BOG are present at the meetings.

Usually, the BOG will act on the project proposal by making one of the following decisions:

1. Approve a Conditional Grant for a specified sum (never higher than 50% of the project's budget in the proposal);
2. Not approve a Conditional Grant.

The BOG's decision will be conveyed in writing to both applying companies within a few days after the BOG meeting. If a Conditional Grant has been approved, the applicants will have up to Three (3) months to materialize this approval by signing with BIRD, the Cooperation and Project Funding Agreement (CPFA), as described in Step 10, below. Note that the expectation is that this agreement

will be signed within 3-6 weeks after the BOG approval, the 3 months deadline defines when the approval is automatically revoked (unless an extension is specifically approved by BIRD).

2.8. Step 8: Financial Status and Funding Resources Clearances

[Feasible timeframe: Within 1-2 months after grant approval]

If either the Israeli or the U.S. company is a relatively young and small private company, BIRD will usually conduct a short financial analysis of the company to determine the following:

1. Current tangible financial resources available to the company;
2. Financial ability of the company to cover the expenses associated with its overall operation (and not only the expenses stemming from the BIRD-supported project) for a future period at least as long as the duration of the BIRD project.

The financial analysis is based on financial reports and a short questionnaire completed by the company and submitted with the proposal. At this stage BIRD may require a detailed discussion with either company or both (separately) to further clarify their financial situation.

Should the company not be able to substantiate item (2), above, from the availability of current tangible financial resources described in (1), above, the company's owners may be asked to provide BIRD with financial guarantees. Failure to provide satisfactory guarantees for item (2), above, will prevent the signing of the CPFA and payment of the BIRD grant.

2.9. Step 9: Bilateral Agreement

[Feasible timeframe: To be signed no later than within 1 month after project approval]

BIRD requires that, prior to the signing of the CPFA (see Step 10, below), a bilateral agreement be in place between the Israeli and U.S. companies participating in the BIRD project. A copy of this "bilateral agreement" should be submitted to BIRD for approval and eventually a signed copy should be submitted before the CPFA can be signed. Please note that in any instance in which a provision of the bilateral agreement contradicts a provision of the CPFA, the provision in the CPFA shall prevail unless explicitly agreed to in the CPFA.

While BIRD is not part of this agreement, nor is BIRD involved in formulating and negotiating this agreement, we would like to see at least the following topics covered in it:

- The revenues and profit-sharing arrangement between the two companies for the jointly developed product
- The arrangement between the two companies regarding joint repayment of the Conditional Grant to BIRD, and the offsetting arrangement in the event that one company repays BIRD more than its relative share in the BIRD grant actually received
- The arrangement between the two companies regarding preparation and timely submission of the periodic fiscal and technical reports to BIRD throughout the development stage of the project

NOTE: *It should be understood by both companies that, as BIRD is not a party to the Bi-Lateral Agreement, this agreement does not, in any way, affect any clauses in the CPFA signed between BIRD and the two companies.*

2.10. Step 10: Preparation and Signing of the CPFA

[Feasible timeframe: Goal is to sign with in 4-6 weeks after grant approval and in any case no later than within 4 months after grant approval]

BIRD is responsible for the preparation of the CPFA, which is signed by the Israeli and U.S. companies as one side (referred to in the CPFA as "the Proposer") and BIRD as the other.

The preparation of the CPFA commences after the project is approved by the BOG, but we recommend that legal departments or companies' legal advisors be made aware of this agreement as early in the process as possible. Although it is a standard-form agreement (see Section 5.2.1.), it is customized to any specific project based on information found in the project proposal (Step 4, above), including:

- The effective date (project start date) of the agreement, (may be as early as the 1st day of the third month prior to signing the CPFA)
- The project duration (taken from the proposal cover page)
- The project title (taken from the proposal cover page)
- The Product definition in Annex F – typically taken from the proposal. BIRD requires the Product definition to be a function/ feature type definition
- The project managers from both companies (taken from Section N of the proposal)
- Mailing and office addresses of both companies (taken from the proposal cover page)
- The program plan (GANTT chart), which constitutes Annex D of the CPFA (taken from Section F of the proposal)
- The project budgets of each company, which constitutes Annex A of the CPFA (taken from Section L of the proposal)

NOTE: *If the approved conditional grant is less than 50% of the total project budget in the proposal, the companies are asked to submit to BIRD (in softcopy, as an Excel workbook) revised budgets for the two companies, totaling exactly twice the amount of the approved conditional grant. The companies are free to select which expense items in the budgets are to be partially included or excluded completely in the revised budgets, provided that one of the company's revised budget is not less than 30% of the combined revised budgets.*

Kindly note that the revision of the budgets does not in any way change the obligation of the companies to carry out all the work on the project as described in the proposal.

It is recommended that the standard CPFA form be reviewed by the legal representative of each company as soon as possible and requests for modifications to the CPFA, if needed, be submitted in writing to BIRD no later than within 2 weeks from project approval. BIRD will only consider requests for minor textual modifications of the CPFA.

Upon completion of the CPFA preparation by BIRD and execution of Steps 8 and 9 of the application process (see above), BIRD will send a digital copy of the CPFA to both companies for an authorized signature. After being signed by BIRD's Executive Director, a fully signed copy will be returned to each company.

The signing of the CPFA by all 3 parties to the agreement (the Israeli company, the U.S. company and BIRD) is a pre-requisite for transfer of the first grant payment by BIRD to both companies, which is usually implemented within a few days.