



**YIGAL ARNON & CO.**  
LAW FIRM

## Client Update – April 26, 2020

### Israel Innovation Authority Update

As we have noted in our update from April 20, like many Israeli government offices, the Israel Innovation Authority (the “IIA”) has been responding to the unique situation presented by the world-wide COVID-19 pandemic. The IIA has now published a quick track for grant approval under the existing R&D Track (the “Fast Track”) in order to help innovative companies with a short runway. The Fast Track is a temporary solution for the current economic crisis and will be open for applications only until September 15, 2020.

Under the Fast Track, the IIA will assist innovative technology companies in the early stages of growth or in their R&D phase. The applicant must demonstrate that it has a good chance of surviving the economic crisis, while currently experiencing liquidity problems (i.e. a short runway), which problems it assumes will not last for more than 12 months from the date of application.

A company’s short runway will be calculated in the following manner: the sum of the cash balance (less current liabilities) plus expected current receipts from income and investment is divided by the company’s monthly burn rate. The IIA provides a calculator to assist companies in performing these calculations.

Companies can apply for an IIA grant to cover 20%-50% of their R&D expenses of up to NIS 15,000,000 million (approximately US \$4,200,000). Companies located in peripheral areas of Israel are eligible for an additional 10% in support and companies located near the Gaza Strip are eligible for an additional 25% in support.

One of the main benefits under the Fast Track is that the IIA promises to address the applications quickly, with the Research Committee meeting once a week and with final decisions promised within 4 weeks of the application. Another important benefit is that the IIA will pay 50% of the approved grant amount as soon as the company can demonstrate that it has received the mandatory supplementary funding by its investors.

Companies cannot make applications under the Fast Track if they have already applied for IIA funding during the first quarter of 2020 under certain tracks (the R&D Track, Starting Companies Track or Generic R&D for Large Companies Track) or if they have already submitted applications for support of their R&D activities in 2020 under those same tracks. Companies must also have a trial balance or a cash flow, including a description of payroll expenses for the three-month period, ready prior to the application.

The regular obligations under the Encouragement of Research, Development and Technological Innovation Law and the R&D Track will apply to the grants under the Fast Track, including, without limitation, the obligation to repay the grant by means of royalties and the restrictions on transfer of know-how or manufacturing out of Israel.

Interested companies are welcome to log onto the IIA’s webinar on this topic that will be held on April 27, 2020: <https://innovationisrael.org.il/events/4957>

For more information please see: <https://innovationisrael.org.il/RnDfund-quick-process>.

Please let us know if we can be of further assistance with respect to this or any other IIA-related matters. For further information, please contact Miriam Friedmann ([miriamf@arnon.co.il](mailto:miriamf@arnon.co.il)), Daniel Green ([Danielg@arnon.co.il](mailto:Danielg@arnon.co.il)) or Barry Levenfeld ([barry@arnon.co.il](mailto:barry@arnon.co.il)).

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