

**The Joint Inter-Ministerial Committee of the National Insurance Institute, the National Economic Council and the Ministry of Finance**

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## **Invitation for Proposal**

# **A Tender for the establishment and operation of a social enterprise fund**

**Tender No. 17/2014**

**Av, 5774**

**July 2014**

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## **Chapter A – General**

### **1. Introduction**

The State of Israel, by the National Insurance Institute (hereinafter: "**National Insurance Institute**"), the Accountant General Division in the Ministry of Finance (hereinafter: "**Ministry of Finance**" or "**The Accountant General**") and the National Economic Council wish to set up a social enterprise fund whose purpose is to develop the market of social businesses in Israel, and for that purpose they publish this Tender and wish to engage in an agreement with the bidder (within the meaning of these terms hereunder).

### **2. Background on social businesses**

In the recent years the field of social businesses has considerably developed in a number of countries in the West. In 2012, as part of the round table discussions that were held between different entities, the Prime Minister instructed to set up a fund for the investment in social businesses in Israel and in these discussions a generic definition of a social business was provided. Nevertheless, the market of social businesses in Israel is still at its inception and there are difficulties especially in the field of funding social businesses. The business aspect of their activity impedes the raising of capital from philanthropic sources while the social aspect of their activity reduces the profitability of these businesses in a manner that the raising of capital from private investors or credit from commercial banks is almost impossible. In addition, many plans that the National Insurance Institute funds developed dealt with professional training and occupation to disadvantaged populations in which plans for social business projects were developed together with outside funds – a state of affairs that pointed to the problem of funding in the field of social businesses on one hand, and the potential inherent in social businesses projects on the other. The primary objectives of this Tender are to promote and develop the market of social businesses and to promote and integrate disadvantaged populations in the labor market.

### **3. General description of the fund**

- 3.1. General – the Government of Israel is interested to promote the market of the social businesses and the integration of disadvantaged populations in the Israeli labor market. For that purpose it wishes to set up two funds the will make investments in social businesses that shall be funded by the funds of the Client, and that shall be leveraged with the funds of investors by the fund that shall be set up by virtue of this Tender.
- 3.2. The following are the main terms and conditions for each fund, the full terms for the purpose of setting up each fund are specified in the Agreement, within its meaning in these documents:

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- 3.2.1. The fund shall operate for a period of 10 years, when in the first three years the fund shall make investments in the social businesses (hereinafter: "**Investment Period**") and in the remaining seven years thereafter the fund shall accompany and monitor these businesses (hereinafter: "**Monitoring Period**"). Upon expiration of the 10 year period, the fund may continue and operate independently and without the support of the Client.
- 3.2.2. Supplementary fundraising for the fund – the fund shall operate with funds infused to it both by the Client and by the Entrepreneur from outside sources as specified hereunder.
- 3.2.3. The Client shall provide a conditional grant of up to NIS 20M that shall be divided in two funds holding NIS 9M each, in addition to a bonus of two million shekels that shall be divided between the winners according to their relative score, as specified in section 18 hereunder. The grant shall be transferred pro-rata with the funds invested by the Entrepreneur, and is conditional on the compliance of the Entrepreneur with its undertakings as specified in the Agreement.
- 3.2.4. As part of its bid, the Bidder is required to present proof for raising investments from outside sources in favor of the fund by letters of undertakings with a minimal leverage ratio of 1:1.5 (a minimum amount of NIS 13.5M). The Entrepreneur and the investors undertake to provide the funds they are obligated to infuse to the fund at the request of the Fund Director in accordance with the provisions set forth in the Agreement.
- 3.2.5. Immediately upon winning the Tender, the Winning Bidder shall set up the fund as specified in the terms set forth in the Tender and the Agreement enclosed therewith, as part of a community interest company that shall be founded solely for the purpose of managing the fund and provided that it is lawfully registered in Israel.
- 3.2.6. The fund shall have a board of directors of 7 members, when at least three have social background and at least three have economic background as specified in the Agreement, when one of the members shall be a representative of the public, as specified in section 7.1.3 of the Agreement. The National Insurance Institute shall appoint an observer for the board of directors. The fund shall be entitled to appoint an investments committee from among the members of the board of directors and the investments committee shall be authorized to make decisions about investments in

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projects that comply with the terms set forth in the Agreement and the terms for their performance.

3.2.7. For the purpose of upholding the terms set forth in the Agreement, a Monitoring Committee shall be appointed on behalf of the Client and will serve as the entity that coordinates and oversees the activities of the fund, assure that its rules are implemented in accordance with the outline set forth in the Agreement and shall be responsible to approve any modification of any kind in the provisions set forth in the Agreement.

3.2.8. The fund shall invest in social businesses that employ as a minimum a number of workers from disadvantaged populations as specified in the Agreement. The function of the fund is to locate the businesses, make investments and accompany these businesses both from the business aspect – in preparing a business plan and business targets, accompany the establishment of the project, prepare the current modes of work and assist in their business development for the purpose of attaining business success and from the social aspect – to provide assistance and guidance in anything related to the employment of the target populations and their integration in the labor market.

3.2.9. The Bidder undertakes to be the controlling shareholder in the fund during the entire term of the Agreement. Transfer of control shall be allowed solely in accordance with the provisions set forth in the Agreement.

3.3. Terms and conditions of the fund – criteria for investment, fields of investment and any other matter pertaining to the fund policy are defined and specified in the agreement made between the fund and the Client (hereinafter: "**Agreement**"). This Agreement constitutes an integral part of the Tender Documents.

#### **4. Definitions**

**"The Agreement"** – the agreement that the Bidder will be required to sign with the Client in the form enclosed as **Appendix Q** of this Tender. It is clarified that no change shall be implemented in this Agreement and the Bidder's bid in this Tender constitutes consent to all terms set forth in the Agreement.

**"Operating Expenses"** or **"Operation Expenses"** – shall mean any expenditure made by the fund that is not a monetary investment in the activities of the projects (in any manner, whether by way of loan, grant, investment in capital or other), including the following expenditures of the fund: general and administrative expenses, wages and related benefits, communications expenses, office maintenance, taxes, IT, infrastructures, payment to outside professionals in any

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matter pertaining to the activities of the fund and the projects, marketing expenses, provision of support and assistance to the fund and/or projects on behalf of the fund, establishment of a database and records management with respect to the activities of the fund, preparation of reports for the board of directors and the Monitoring Committee in accordance with the Agreement hereby enclosed, social and business assistance to the projects as specified in the Agreement.

**"The Winning Bidder"** or **"The Entrepreneur"** – each of the Bidders that was declared as a winner in accordance with the terms set forth in this Tender.

**"The Client"** or **"The State"** – shall mean the National Insurance Institute, Division of the Accountant General in the Ministry of Finance and the National Economic Council.

**"The Tender"** – shall mean this Tender no. 17/2014 for the Fund and Operation of the Social Fund that was published on July 28, 2014 including Appendixes thereof.

**"The Investors"** – shall mean anyone providing funds (whether by way of a contribution, loan and whether in any other manner set forth in accordance with the provisions set forth in the Agreement) in favor of the social fund other than the Client or any other government authority.

**"Bid"** – the answer submitted by the Bidder to the Tender including appendixes, requirements, terms and parts thereof.

**"The Social Fund"** or **"The CIC"** or **"The Fund"** – shall mean the fund that shall be set up by the Entrepreneur as a community interest company in accordance with the provisions set forth in this Tender.

**"Tender Committee"** – an inter-ministerial tender committee headed by the senior deputy of the Accountant General whose members are representatives of the National Insurance Institute, the Ministry of Finance and the National Economic Council, that was authorized by the Accountant General for the purpose of this Tender.

**"Monitoring Committee"** – the entity in charge of all matters pertaining to the performance of the Agreement as specified in section 17 of the Agreement.

**"National Insurance Institute Law"** – shall mean National Insurance Institute Law [Consolidated Version] 5755-1995 and all regulations promulgated thereunder and/or that will be promulgated thereunder as amended from time to time and any successor law and/or statute.

**"Companies Law"** – shall mean Companies Law 5759-1999 and all regulations promulgated thereunder and/or that will be promulgated thereunder and any successor law and/or statute.

**"Leverage Ratio"** – the ratio between the funds invested by the Entrepreneur and the funds granted by the Client as a conditional grant.

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**"Minimum Leverage Ratio"** – a ratio of 1:1.5 (that is to say, undertakings for investment of up to NIS 13.5M) that constitute the lower limit in bids with respect to the Leverage Ratio.

**"Entrepreneur's Funds"** – shall mean the funds that will be raised from the investors in accordance with the undertaking letters enclosed with this Tender.

**"Loan Funds"** – the part of the Entrepreneur's Funds originating in loans that shall bear interest that shall not be greater than the maximum interest within its meaning hereunder.

**"Philanthropy Funds"** – the part of the Entrepreneur's Funds originating in contributions.

**"Social Evaluation"** – measurement and quantification of the social value as a result of activities for the purpose of promoting social goals.

**"Projects"** – shall mean businesses that comply with the definition of a "social business" and that employ disadvantaged populations and that meet the criteria set forth in the Agreement and in which the social fund will make investments as specified in the Agreement.

**"Lenders"** – shall mean anyone providing the funds of the lenders in favor of the Fund.

**"Bidder"** – an entity that complies with the threshold requirements specified hereunder and that fulfilled all the requirements set forth in this Tender.

**"Social Business"** – shall mean any of the following: (a) an association whose Articles set forth social goals and objectives and that maintains a business activity that is intended to attain these social goals or a community interest company whose Articles set forth social goals and objectives and that maintains a business activity that is designated to attain these social goals with the aspiration to make profit but not to maximize profit; or (b) a limited liability company whose activity is aimed at attaining social goals that were set forth in its articles and that aspires to make profit but not to maximize its profit due to the promotion of its social goals and whose articles restrict a distribution of more than 50% of the distributable profits in that company (however without limiting the return of capital investments to shareholders).

**"Maximum Interest"** – the maximal interest that the Fund will pay to the lenders and that will be calculated as Prime interest plus 1.5%.

**"Control"** – within its meaning in the Securities Law 5728-1968.

## **5. Participation in the Tender**

- 5.1. Participation fees in the Tender – Bidders in the Tender shall pay three hundred new Israeli shekels (NIS 300) as participation fees, non-refundable except for in the event of cancellation of the Tender in accordance with section 20.3. Payment shall be deposited in account no. 25636 in the name of the Accountant General in the Postal Bank head

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branch (09/001). The Bidder shall enclose a copy of the receipt of payment to its bid. It is clarified that the said payment is a condition for participation in the Tender.

5.2. Each Bidder that pays the participation fees in the Tender shall deliver to the Client its full details including Bidder's name, company no., telephone number, cellular phone number, fax number, email, name of contact person on its behalf, his position and contact details to the following email: [adide@mof.gov.il](mailto:adide@mof.gov.il) with a copy to the following address: [michaelbar@mof.gov.il](mailto:michaelbar@mof.gov.il) (the person sending the inquiry is required to confirm receipt of the email with Mrs. Adi Dekel in telephone number: 02-5317865).

5.3. The Tender Documents can be downloaded from the internet website of the Government Procurement Administration in the following link: <http://www.mr.gov.il/>.

5.4. Clarifications for the Tender

5.4.1. A Bidder requesting clarifications or answers to questions in connection with the Tender and terms thereof may write these questions and deliver them to Mrs. Adi Dekel in the following email: [adide@mof.gov.il](mailto:adide@mof.gov.il) with a copy to the address: [michaelbar@mof.gov.il](mailto:michaelbar@mof.gov.il) no later than 09.08.14 at 13:00 (To the extent that it did not receive confirmation in a return email about receipt of its query the Bidder is obligated to confirm over the phone that the email it delivered was received by the Tender Committee in phone number 02-5317865). **To dispel any doubt it is clarified that in order to submit a request for clarification or a question payment of participation fees in the Tender is obligatory in accordance with the provisions set forth in section 5.1.**

5.4.2. The following should be written in the subject of the query: "Tender no. 17/2014 Tender for the establishment and operation of a social enterprise fund."

5.4.3. The format of submission of questions, clarifications and queries shall be as follows:

Serial No.	Section/another reference (reference to the exact section in the Tender Documents and Appendixes to which the question refers)	Question/comment
1.		
2.		

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- 5.4.4. All references shall be in writing and shall be delivered in open WORD format with an identical secured PDF file.
- 5.4.5. Queries shall arrive to the Client until the dates specified in this Tender or on any other delayed date as set forth by the Client. Queries that arrive after the date set forth by the Client shall not be answered.
- 5.4.6. Answers and clarifications shall be provided solely in writing and shall be published in the internet website of the Ministry of Finance and shall constitute an integral part of the Tender Documents. Answers and clarifications that were solely submitted in writing shall bind the Bidder. It is clarified that the Client shall not be bound by the wording of the question and in this capacity at the time of formulating the clarification answers that are published for the Bidders in the internet website of the Ministry of Finance the Client may shorten an existing question, reformulate it, and omit part thereof and more. In any event, the version of the question shall not bear any interpretation unless the answer purports to grant such a meaning as said. The Client does not undertake that a question will be answered and shall not be obligated to give reasons for its answers.
- 5.4.7. The Client may, at all times and until the date of submitting the bids, modify any of the terms of the terms of the Tender, whether following its initiative and whether in the answers to the questions or the requests of Bidders that are submitted in accordance with the provisions set forth hereinabove.
- 5.4.8. To the extent that the Bidder discovered a mistake and/or deficiency and/or lack of conformity and/or any other defect that fell in the Tender, the Bidder shall refer to the said in the clarification questions to the Client and shall notify the Client about the said.
- 5.4.9. **To dispel any doubt it is clarified that any reference made by the Client or anyone acting on its behalf shall have no effect unless delivered in writing in the manner set forth in section 5.4.6 hereinabove. All answers, clarifications and notices that the Client delivers in writing as specified in this section hereinabove constitute an integral part of the Tender Documents and the Bidder agrees to the said.**

## **6. General details about the Tender**

- 6.1. The Tender booklet – the Tender booklet includes the Tender terms and Appendixes thereof that include, *inter alia*, the Agreement signed between the Client and the Winning Bidder:
  - 6.1.1. The Tender terms – the body of the Tender (sections 8 to 22) includes general details about the Tender, the threshold requirements for participation in the Tender, the manner of submitting the bids, the manner of electing the Winning Bidder and the requirements of the Client in connection with the Tender.
  - 6.1.2. The Tender Appendixes – as specified in the table of contents.
- 6.2. Any lawfully registered corporation **or** a number of such corporations (hereinafter: "**Member**" or "**Members in the Bidder**") that will cooperate for the purpose of submitting a joint bid are invited to submit a bid in this Tender provided that the number of Members in the Bidder shall not be greater than three. It is clarified that all Members in the Bidder are required to act in accordance with the requirements imposed on the Bidder in this Tender and in the enclosed Agreement and sign anywhere where the Bidder's signature is required.
- 6.3. The Members in the Bidder shall undertake to incorporate as a community interest company, when the entities that are examined regarding compliance with the terms and the parameters shall be obligated to hold a considerable percentage of the Fund as specified in section 9.2 and in Appendix D.
- 6.4. Each Bidder may submit only one bid. Any entity that controls or is controlled or that is under the joint control of the Bidder (including any Member thereof) is prohibited from submitting a bid as part of this Tender.
- 6.5. Only two Bidders shall be elected as part of the Tender and these Bidders shall be declared as the Winning Bidders and shall found and operate two discrete funds, on the condition that the two Winning Bidders comply with all the terms set forth in the Tender and in the Agreement.
- 6.6. The engagement with each Winning Bidder shall take effect upon signing of the authorized signatories on behalf of the Client on the Tender Documents and only after fulfillment of all the required conditions in accordance with the Tender and this Agreement.
- 6.7. Bidders are required to read carefully this Tender; bids that are submitted in contravention of the requirements set forth in this Tender may be disqualified. No allegations shall be made as if any of the Bidders was not aware of the terms of this Tender or that it did not understand them appropriately. Questions and requests for clarifications in connection with this Tender shall be delivered in the manner specified hereinabove.

## **7. Schedules**

### **7.1. Schedule for the publication of the Tender**

	<b>Date</b>
Publication of the Tender	28.7.14
Last date for registration for the Tender, for submission of requests for clarification and for questions submitted by the Bidders	8.9.14, at 13:00
Delivery of answers and clarifications by the Client	22.9.14
Last date for submitting the bids for the Tender	22.10.14, at 13:00
Election of the Winning Bidder in the Tender	23.11.14
Delivery of the Fund Articles to the Monitoring Committee	7.12.14
Delivery of comments on the Fund Articles to the Winning Bidder	21.12.14
Establishment of the social fund – community interest company	8.1.15
Compliance of the first competent fund	23.2.15

7.2. **In the event of discrepancy between these dates and other dates specified in the Tender, the dates specified in the table hereinabove shall prevail.**

7.3. **Extension of dates** – without derogating from the said in sections 5.4.6 and 7.1, the Tender Committee shall be entitled to delay each of the dates set forth in this Tender to the extent that it deems fit (and even a number of times), including the date of submitting the bids. All the provisions applicable to the previous bids submission date shall apply to the new bids submission date, including notices delivered by the Tender Committee, unless otherwise stated expressly in the notice regarding the delay.

## **Chapter B – Threshold requirements for submitting bids in the Tender**

- The Bidder shall comply with all threshold requirements set forth in this section as a prerequisite for its participation in the Tender.
- The following is a list of administrative and professional threshold requirements required from the Bidder:

### **8. Administrative threshold requirements**

8.1. The Bidder is a lawfully registered corporation in the State of Israel, in the relevant register, or a number of corporations as specified in section 6.2

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hereinabove. It is clarified that a Bidder that is registered as a corporation in a foreign state may participate in this Tender provided that it was lawfully registered in the State of Israel.

- 8.2. The Bidder submitted a bid guarantee as required in section 13 hereunder, in the form specified in Appendix A.
- 8.3. The Bidder raised the minimal leverage amount, at least, and submitted letters of undertaking in the amount of NIS 13.5M at least, when at least 4.5M shall be philanthropy funds, and at least NIS 4.5M shall be from funds of the lenders, in accordance with the provisions set forth in section 16. The Bidder shall submit an undertaking for compliance with the said conditions in accordance with the form specified in Appendix B.

## **9. Professional threshold requirements**

- 9.1. A Bidder that complies with all the following conditions may participate in this Tender:
  - 9.1.1. The Bidder has experience in investing or managing at least three social businesses for a period of at least two out of the last five years.
  - 9.1.2. The Bidder is an entity with a cumulative volume and/or scope of investments of at least NIS 10M between the years 2011-2013. An affidavit and accountant confirmation as enclosed in Appendix L shall be submitted for the purpose of this section; scope of investments shall mean any investment made by the Bidder in other entities and companies (including capital investments and provision of loans by way of investment).
- 9.2. In the event the Bidder comprises of a number of members in the Bidder in accordance with and subject to the provisions set forth in section 6.2 hereinabove and it is interested to prove its experience by these members separately, then compliance with any of the conditions specified in section 9.1 shall be accomplished by a member that undertakes to hold at least 30% of the Fund.
- 9.3. The Bidder may prove its experience by an entity holding the Bidder, provided that the said entity holds 100% of the Bidder.
- 9.4. The Bidder shall enclose with its bid a description and résumés of two officers in the fund (hereinafter: "**Key Employees**") that shall comply with the following conditions:
  - 9.4.1. The Fund director – the fund director (who shall be employed in half time job scope as a minimum) shall have experience in managing or making investments (including the provision of loans) in at least 3 social businesses and involved in their current management for a period of at least two years out of the five years

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that preceded the submission of the bid and will have experience in the management of investments in an amount of at least NIS 10M.

9.4.2. Professional director – the Professional Director of the Fund (who shall be employed in full time job scope) shall have a first degree as a minimum and shall have experience in the management of professional teams in rehabilitation and occupational programs with the relevant disadvantaged populations within their meaning in the Agreement for a period of at least 3 years out of the last 5 years.

9.5. It is clarified that for the purpose of examining the professional threshold requirements as specified in this section, "social business" shall be defined in accordance with the provisions set forth in the section of Definitions hereinabove except for the need to restrict distribution of profits in the articles of association of a limited liability company.

## **10. Additional approvals**

10.1. The Bidder shall enclose with his bid all requisite confirmations and documents in accordance with this chapter and these shall be in effect as of the date of submitting the bid.

10.2. The Bidder shall furnish to the Client all required confirmations in accordance with the Public Bodies Law 5736-1976 as follows:

10.2.1. A copy of a certificate of registration of the Bidder as a corporation in Israel in the register in accordance with the relevant provisions of the law, in effect in accordance with the relevant provisions of the law. The Tender Committee clarifies that in the event the Bidder is a partnership, the partnership is required to be lawfully registered.

10.2.2. Confirmation issued by a licensed official, an accountant or a tax advisor attesting that the Bidder manages the books of account and records it is required to conduct in accordance with the Ordinance and the Income Tax Law or attesting that the Bidder is exempt from keeping and managing these documents; and that the Bidder reports to the Assessing Officer about its income and report to the administration about transactions that are liable with tax in accordance with the Value Added Tax Law.

10.2.3. Confirmation on lack of convictions in accordance with the provisions set forth in the Foreign Workers Law 5751-1991 (hereinafter: "**Foreign Workers Law**") or Minimum Wage Law 5747-1987 (hereinafter: "**Minimum Wage Law**") in the form enclosed as Appendix E of this Tender.

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- 10.3. Consent statement: the Bidder shall enclose a statement in the form specified in Appendix C according to which it read and understood all the terms set forth in the Tender as specified in the Tender Documents and Appendixes thereof and agreed unconditionally to these terms.
- 10.4. A confirmation issued by an advocate in the binding form as specified in Appendix K confirming all details, requirements and information about the Bidder, including the rights of authorized signatories on its behalf and their power to bind the Bidder with their signature in accordance with this Tender, including regarding their power to bind the Bidder with obligations subject matter of the Tender, date of incorporation, type of corporation and identification number as required in the said Appendix K.
- 10.5. An affidavit attesting to the volume/scope of investments required from the business in accordance with the provisions set forth in section 9.1.2 hereinabove, and confirmation of the accountant for the said enclosed as Appendix L.
- 10.6. The Bidder shall enclose the Agreement enclosed in Appendix Q (as updated by the Client following questions or clarifications) signed with the initials of the authorized signatories on behalf of the Bidder and bearing the stamp of the corporation in each page and fully signed and stamped by the corporation at the end of the document. The completion of signatures by the authorized signatories on behalf of the Monitoring Committee on the Agreement shall be done after the Tender Committee decides that the Bidder is the Winning Bidder.
- 10.7. An affidavit signed by the Managing Director of the Bidder (and/or the Managing Director of any of the members in the Bidder) and authenticated by an advocate, attesting that no claims are pending against the Bidder (and/or any members thereof) may affect its operation to the extent that it wins the Tender and it (and/or any of the members in the Bidder) is not under proceedings of bankruptcy and/or liquidation and/or insolvency in the form enclosed hereunder as Appendix F.
- 10.8. Signed affidavits by the designated Managing Director of the Fund and the Professional Director of the Fund authenticated by an advocate attesting that the manager of the Fund/the Professional Director appointed by the Bidder were not convicted of criminal offenses that are considered an infamous crime or offenses that are relevant to the provision of the service subject matter of the Tender and that no legal proceedings that may affect its operation in the Fund are pending against it in the form enclosed hereunder as Appendix P.

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- 10.9. A file containing clarifications, questions and answers in the manner published (if published) in the internet website of the Ministry of Finance, signed by the Bidder.
- 10.10. It should be emphasized that despite the obligation to enclose all confirmations and documents together with the bid, the Tender Committee shall be entitled, however not obligated, and at its sole discretion, to allow a Bidder that did not enclose to its bid a confirmation and/or a document of the documents specified in this Invitation, to submit these documents in a period of time set forth by the Client as long as it clearly transpires according to the said confirmations and/or documents that they existed and were in effect at the time of submitting the bid as required in the Tender terms.
- 10.11. A bid that shall be submitted in contravention of the provisions set forth in this section 10 might be dismissed in limine. The Client reserves the right (but is not obligated to act in the said manner) to allow to the Bidder to correct technical flaws that fell in its bid in order to adjust it to the requirements set forth in the Tender.

## **11. Confidentiality**

- 11.1. The Bidder shall enclose with its bid a confidentiality undertaking with respect to all the information that is provided to it and/or of which the Bidder becomes aware for the purpose of fulfilling its undertakings in accordance with the Tender in the form specified in Appendix I. In addition, the Bidder shall enclose an undertaking stating that if it is elected as a winner it shall take measures so that its employees and any person acting on its behalf providing the services subject matter of the Tender shall uphold the provisions set forth in this section in the form enclosed as Appendix O.
- 11.2. To dispel any doubt, the Winning Bidder or anyone acting on its behalf may not distribute or publish the information, communicate it or notify any person about it in any manner during the term of engagement and after expiration thereof, and shall not make any use of the information that reached to it as said, without obtaining the prior and written consent of the Client in accordance with the provisions set forth in the Tender.
- 11.3. It is hereby clarified that the Tender Committee and anyone acting on its behalf in the Fund, including the Monitoring Committee, are obligated to keep in confidence any information and/or trade secrets that are disclosed to them as part of their work in the Fund (hereinafter: "**Information**") and shall use the Information solely for the purposes specified in the Tender Documents and in the Agreement.

## **12. Conflict of interests**

- 12.1. The Bidder shall enclose a statement signed before an advocate in the form enclosed as Appendix J stating that to the best of its knowledge the submission of the bid in accordance with the Tender does not constitute a conflict of interests (including a conflict of interests on behalf of its shareholders and/or entities that are related to the Bidder and shareholders thereof) that may affect the regular course of business of the operation of the Fund at the time of submitting the bid. In addition, the affidavit shall include an undertaking made by the Bidder to take reasonable measures so as to refrain from being in a conflict of interests in the Bidder that may affect the regular course of business of the Fund in accordance with the provisions set forth in the Agreement and in the Tender Documents during the entire Term of Agreement.
- 12.2. The Bidder shall sign the undertaking specified in Appendix J stating that in the event it wins the Tender it shall report to the Client about any expected new engagement it may enter with any entity that is related to the services provided in this Tender and that may affect the regular course of business of the Fund. In addition, the Bidder is required to declare that it is aware that such engagement as said, to which the Bidder is a party, is conditional on obtaining the prior and written consent on behalf of the Client.

## **13. Bid guarantee**

- 13.1. Participation in the Tender is conditional on enclosing an autonomous and unconditional bank guarantee in the binding form of the guarantee specified in Appendix A. The guarantee amount for payment shall be in the amount of NIS 200,000 (two hundred thousand new Israeli shekels) payable to the Accountant General (hereinafter: "**Bid Guarantee**"). The Guarantee shall be a bank guarantee or issued by an Israeli insurance company holding a license to engage in insurance in accordance with the provisions set forth in the Control of Financial Services (Insurance) Law, 5741 – 1981.
  - 13.1.1. In the event the Bidder withdraws from its bid and/or the Bidder conducted in a manner that is uncustomary and/or in bad faith and/or in the event the Bidder refuses to sign the Agreement and/or refuses to fulfill all the requirements required from the Bidder following winning in the Tender, the Ministry shall be entitled to forfeit the Guarantee submitted by the Bidder.
  - 13.1.2. The Bidders shall extend the effect of the Bid Guarantee at the request of the Client until three months after making a final decision on the results of this Tender.

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- 13.1.3. It should be emphasized – no changes may be implemented in the Guarantee form. Any change in the form may result in the disqualification of the bid submitted by the Bidder.

## **14. Taxation**

For the purpose of complying with the requirements set forth in the Preliminary Ruling of the Tax Authority for recognition of a public institution entitled to approval in accordance with Section 46 of the Income Tax Ordinance, the Bidder shall comply with all the provisions set forth in the Preliminary Ruling enclosed as Appendix M. It is clarified that compliance with these conditions shall constitute a prerequisite so that the Tax Authority will process issuance of the exemption and that the final confirmation for the recognition of the public institution as said shall be granted to the Knesset Finance Committee.

## **Chapter C – Submitting the bids in the Tender and electing the Winning Bidder**

### **15. The bids**

- 15.1. No partial bid, that is to say, for the provision of only part of the services specified in all the Tender Documents shall be accepted.
- 15.2. The Bidder shall submit its bid in two separate envelopes submitted jointly in one large envelope as specified hereunder.
- 15.3. In the first envelope bearing the title: "Envelope no. 1" the Bidder shall submit all the documents and appendixes required in sections 8-14 hereinabove, and in addition shall submit a bid booklet referring to all the quality parameters as specified in section 17 hereunder.
- 15.4. In the second envelope bearing the title: "Envelope no. 2" the Bidder shall submit its financial bid as specified in Appendix 16 hereunder and in Appendix N of the Tender in addition to the undertaking letters specified in Appendixes G and H.
- 15.5. The two envelopes shall be inserted into a sealed envelope bearing the following title: "Tender no. 17/2014 for the establishment and operation of a social enterprise fund" and that shall be submitted in person until October 22, 2014 at 13:00 to:

The Accountant General, Archive  
Third Floor  
Ministry of Finance  
1 Kaplan St., Jerusalem

- 15.5.1. **Before inserting the envelope to the Tender Box the Bidder is required to assure that the envelope is stamped by a worker**

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**in the archive including date and time of receipt and that a certificate of delivery is issued.**

- 15.6. The bid shall be submitted in 4 copies as follows – source plus three copies. Each page in the source copy shall be signed by the authorized signatories on behalf of the Bidder together with a stamp.
- 15.7. The bid shall include the signed Agreement as specified in section 10 hereinabove. The signature date shall be left blank including the bonus amount and the operating expenses limit (as specified in section 2.20 of the Agreement) and shall be filled by the Client in accordance with the bid submitted by the Bidder in the event the Bidder wins the Tender.

## **16. Submission of the bid – economic parameters**

This Tender shall elect two Winning Bidders for the purpose of setting up two funds. Competitive procedure in this Tender shall be based upon qualitative criteria as specified in section 17 and economic criteria as specified hereunder:

### **16.1. Leverage ratio:**

- 16.1.1. In this Tender the Client shall provide an amount of NIS 9M for each fund when the Bidders shall compete over the leverage ratio based upon this amount as specified hereunder. The leverage ratio shall be at least 1:1.5, that is to say a minimum of NIS 13.5M. In the event the Bidder specifies in its bid a leverage ratio that is higher than 1:1.5 the letters of undertakings shall reflect the amount deriving from the proposed leverage ratio. For example, a Bidder that proposed a leverage ratio of 1:2 shall enclose with its bid a letter of undertaking in the amount of NIS 18M.
- 16.1.2. At least NIS 4.5M shall be philanthropy funds and at least NIS 4.5M shall be from the funds provided by lenders whose investment bears interest and shall be returned to them in accordance with the terms set forth in this Tender and the terms set forth in the Agreement. All other amounts may be provided from philanthropy funds or from lenders' funds.
- 16.1.3. It is clarified that the funds provided by lenders that are raised by loans shall bear interest that shall not exceed the maximal interest in any event.
- 16.1.4. The Bidder shall fill in the bid form specified in Appendix N the leverage ratio and shall enclose the letters of undertakings as specified hereunder.

### **16.2. Letters of undertakings:**

- 16.2.1. The Bidder shall enclose letters of undertaking signed by the authorized signatories of the institution making the commitment for any amount that is higher than the leverage ratio it proposed as

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specified hereinabove (and that shall be no less than NIS 13.5M in total) in the form enclosed as Appendix N. To dispel any doubt it is clarified that a bid in which the undertaking letters do not comply with the leverage ratio or a bid that sets terms or exclusions for the provision of the undertaking amounts shall be disqualified in limine.

16.2.2. The letters of undertaking shall be exercisable by the Fund for the entire investment period, that is to say, the investor shall undertake to provide the funds whenever the Fund so requests for a period of three years as of the date of setting up the Fund.

16.2.3. The loans that shall be provided as part of the undertaking letters from the lenders shall be for a period of five years at least with a grace period of two years minimum when repayment of the loan shall be made according to a "Spitzer" amortization schedule or an amortization schedule of fixed repayment on account of the principal (the principal amount divided by the number of repayments). The said shall not prevent the fund from making early repayment of the loan, but the undertaking on behalf of the lender shall be as specified hereinabove.

**16.3. Rate of operating expenses:**

16.3.1. The Bidder shall specify in its bid the rate of the operating expenses out of the entire funds of the fund and it undertakes that all operating expenses that are expended by the Fund during the entire Term of Agreement shall not exceed the operating expenses out of all the funds of the Fund as proposed by the Bidder in the Proposal Form in Appendix N.

16.3.2. It is clarified that in any event the percentage of the operating expenses that the Bidder may offer as part of the rate of the operating expenses shall not exceed 40% of the total funds of the fund within their meaning in the Agreement. To dispel any doubt it is clarified that a proposal that includes a percentage of operating expenses that is higher than 40% or a proposal that sets forth limits for this right or that sets forth other operating expenses that will be recognized shall be disqualified in limine.

**17. Submitting the bid – qualitative parameters**

The Bidder shall enclose a proposal booklet that shall refer to the following quality parameters:

17.1. **Experience** – the Bidder shall include in its bid prospective candidates for managing the fund (the Fund Director and the Professional Director), and

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shall provide details about their relevant experience for the position. The Tender Committee shall examine the experience of the Bidder, the experience of the Fund Director and the Professional Director and the experience in the measurement and evaluation in meeting targets and goals of social programs.

17.1.1. **Bidder's experience** – the Bidder shall provide details about its experience in investment or management of social businesses together with documents describing the activities of the social businesses and their declared goals; the scope of hours the Bidder provided in the past; the manner of performing social evaluations in the past. Years of experience, investment or the management of social businesses in the field of practice of the target populations as specified in the Agreement and the scope of investments and the number of projects shall be awarded a higher score. It is clarified that for the purpose of examining the threshold requirements as specified in this section, a "social businesses" shall be defined in accordance with the provisions set forth in the Definitions section hereinabove, except for the need to limit the distribution of profits in the articles of association of a limited liability company.

17.1.2. **Experience of the proposed executive team (Fund Director and Professional Director)**

17.1.2.1. **Fund Director** – score shall be awarded to relevant education, years of experience, number of investments, scope of investments in general and social investments in particular and their degree of success.

17.1.2.2. **Professional Director** – score shall be awarded to relevant education, years of experience, number of programs and the degree of success in programs of rehabilitation and integration of disadvantaged populations which he managed, while placing emphasis on his level of involvement and responsibilities in these programs.

17.1.2.3. With respect to the Fund Director and the Professional Director, background in starting new projects, including the establishment and commencement of a new activity and the recruitment and management of professional human resources while taking into account the number of new projects

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and the number of employees under his management shall also be examined.

17.1.3. The details of experience specified hereinabove shall be specified in the bid booklet and shall be authenticated by an advocate.

17.2. **Methodologies for operating the fund** – the proposed methodology for operating the Fund shall be examined in accordance with the following requirements:

17.2.1. **Proposed organizational structure** – the proposal shall include a description of the human resources required for the business field and the social field; a clear definition of the duties and responsibilities of each staff member; the nature of the connection of the Fund with the Bidder and the scope of use of its resources; scope of resources.

17.2.2. **Manner of making investments** – this section shall specify the mechanisms and the tools for selecting businesses for investment (the manner the entrepreneur proposes to conduct this based upon its past experience, *inter alia*), while placing emphasis on the description of the special requirements in terms of the populations and the businesses.

17.2.3. **Business and social support** – this section shall provide a description of the role and the requirements imposed on the providers of social and business support, the relevant support plans, and a detailed description of the manner and scope of the support.

17.3. **Financial model** – the Bidder is required to present a model that includes assumptions and analysis of the following issues with emphasis on the adequacy between the model and the specifications provided in the methodology chapter, establishment of the assumptions of the model on the past experience of the Bidder and compliance between the underlying assumptions of the model with its results:

17.3.1. Return on investment from the projects and the rate that was not returned.

17.3.2. The interest amount that the Fund will pay to the lenders and that will be collected from the projects.

17.3.3. The model shall specify the income and expenses of the Fund over the entire term of the Agreement and according to different assumptions and will include sensitivity analyses of these assumptions that will show how deviation from these assumptions affects the ability to return the loans that the Fund took and the amortization of contributions and the conditional grant that were

provided at the end of the period. In addition to the parameters specified in this section, additional parameters that will affect the financial structure of the fund may be added to the project.

## **18. The competitive procedure for electing a Winning Bidder**

This section describes the mechanism for determining the scores of the Bidders that are based upon the qualitative and the economic parameters.

- 18.1. **First stage – examining the compliance of the Bidders with the threshold requirements in accordance with the provisions set forth in sections 8-14.**
- 18.2. **Second stage – qualitative parameters (at this stage the maximal score is 40 points that constitute 40% of the total final score in the mechanism determining the scores of Bidders):**
  - 18.2.1. **Methodology:** the maximum score in this section is 15 points – 3 points for the proposed organizational structure, 6 points for the manner of making the investments and 6 points for social and business support.
  - 18.2.2. **Experience:** the maximum score in this section is 13 points – 3 points for the Bidder's experience, 5 points for the experience of the Fund Director and 5 points for the experience of the Professional Director.
  - 18.2.3. **Financial model:** the maximum score in this section is 12 points: 6 points for the reasonableness of the assumptions (base scenario) and reference to all the relevant entities as specified in section 17.3, 6 points for the coherence between the assumptions and the model results and performance of sensitivity analyses for the different scenarios.
  - 18.2.4. **As part of the second stage the Tender Committee shall invite the Bidders to present the qualitative parameters. The Bidders shall present to the Tender Committee a presentation that is based upon the said in section 17 hereinabove. The score for all qualitative sections shall be examined according to the total evaluation of the data that will be presented to the Committee, whether verbally and whether in writing.**
  - 18.2.5. Only a Bidder that receives at least 30 points out of the 40 points in the qualitative parameters will proceed to the evaluation of economic parameters.
- 18.3. **Third stage – economic parameters (at this stage the maximum score is 60 points that constitutes 60% of the total final score in the mechanism for determining the scores of the Bidders):**

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18.3.1. The leverage ratio – the amount of liabilities, a maximum score of 48 points.

18.3.1.1. The highest ratio will be awarded a maximum score of 48 points and the other bids will be scored according to the ratio between them and the highest bid.

18.3.1.2. For example – if Bid A proposes a ratio of 1:2 (that is to say – the Bidder will raise NIS 18M) and Bid B will propose a ratio of 1:1.75 (that is to say – the Bidder will raise NIS 15.75M), then Bid A shall receive 48 points and Bid B shall receive 42 points,

$$\frac{15.75}{18} * 48 = 42$$

18.3.2. Operating expenses – maximum score of 12 points:

18.3.2.1. The Bidders shall present operating expenses as the percentage out of the total funds of the Fund within their meaning in the Agreement for the entire duration of the fund (10 years). A calculation of the operation fees shall be made for the entire period that was proposed by the Bidder and the lowest result that is obtained will receive a score of 12 points. The other Bidders will receive a relative score in **opposite** ratio to that bid.

18.3.2.2. For example: if Bid A presents operating expenses of 20% and Bid B will present operating expenses of 30%, then Bid A will receive a score of 12 points and Bid B will receive a score of 8 points.

$$\frac{20}{30} * 12 = 8$$

18.4. **Determining the winners and distributing a bonus:**

18.4.1. After factoring all the parameters, the two Bidders with the highest score will be declared as winners, provided that they met all the conditions that were specified so far, including the threshold requirements, minimum qualitative score, maximum operational percentage and minimum leverage ratio.

18.4.2. A cash bonus in the amount of NIS 2M shall be distributed between the two Bidders according to the quality of their bid, when a higher weighted score will grant the Bidder a higher bonus amount. The purpose of the bonus is to incentivize the

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Bidders to maximize the quality of their bid in the Tender (both in the qualitative parameters and the economic parameters).

18.4.3. The bonus will be divided between the two winners according to the following formula: the difference of the score between the two winning bids will be calculated. Starting from a difference that is higher than two points, each point of difference shall be equal to NIS 250,000 difference in the distribution of the bonus, in favor of the highest score.

18.4.4. For example, if Bidder A received a final score of 90 and Bidder B received a final score of 88, then the two Bidders will win NIS 1,000,000 bonus.

18.4.5. Another example: if Bidder A receives a final score of 95 and Bidder B receives a final score of 87, then Bidder A will receive NIS 1,750,000 and Bidder B will receive NIS 250,000.

18.4.6. **It is clarified that no bonus shall be provided beyond the amount that causes the ratio between the funds of the entrepreneur and the funds of the conditional grant to be lower than 1:1.5.** That is to say – a Bidder who offers leverage that is higher than the minimal leverage by NIS 1M only cannot win a bonus that is higher than NIS 0.67M.

18.5. The following is an example of the calculation of the scores of Bidders a tender with four Bidders:

18.5.1. Qualitative stage:

<b>Bids</b>				
	Methodology	Experience	Financial model	Total
Bidder A	15	13	12	<b>40</b>
Bidder B	14	11	10	<b>35</b>
Bidder C	13	19	8	<b>30</b>
Bidder D	12	10	6	<b>28</b>

18.5.2. In the example provided hereinabove, Bidders A, B and C will continue to the competition in the economic stage, but Bidder D will be disqualified since its total qualitative score is 28, which is lower than the required minimum score in the qualitative parameters stage (30 points).

18.5.3. Integrative stage:

	<b>Bids</b>		
	Bidder A	Bidder B	Bidder C
Qualitative score	40	35	30
Proposed operating expenses	30%	35%	40%

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percentage			
Operating expenses score	12	10.29	9
Leverage (NIS M)	20	15	30
Leverage score	32	24	48
<b>Final score</b>	<b>84</b>	<b>69.29</b>	<b>87</b>
	<b>Runner-up</b>	<b>Not winning</b>	<b>First place</b>
Bonus (NIS M)	0.875		1.125
Total State funds	9.875		10.125

18.5.4. Further to the qualitative stage, Bidder A proposed the lowest operating expenses percentage and won the maximum score and the other Bidders were ranked with relation to that Bidder. Bidder C proposed the highest leverage and was awarded the highest score and the other Bidders were ranked with relation to that Bidder. The remaining two million shekels were divided between the two Winning Bidders in a in proportion to their share as specified hereinabove. Bidder B will be ranked as the first competent bidder.

## **Chapter D – Continuation of the Tender Procedure**

### **19. Effect of the bids**

- 19.1. Any modification made in the Tender booklet or terms thereof and any reservation in connection therewith, whether made by way of an addition in the body of the Tender booklet, in an accompanying letter or in any other manner, shall be null and void and shall entitle the Client to disqualify the bid.
- 19.2. A bid that is submitted in contravention of the provisions set forth in this section might be disqualified in limine. The Client reserves the right, but is not obligated, to correct technical errors in the bid so as to adjust it to the Tender requirements.

### **20. The winning procedure**

- 20.1. Two Winning Bidders shall be elected in this Tender, when the Client will rank the Bidders in accordance with the provisions set forth in section 18 by the Tender Committee and, in addition, a first competent bidder shall be elected whose competence shall be in effect for three months as of the winning date. In the event one of the Winning Bidders cancels its bid or in the event the engagement with the Winning Bidder is terminated for any

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reason, the first competent bidder shall replace that bidder at the sole discretion of the Tender Committee. It is clarified that this section shall not obligate the Tender Committee to replace the Winning Bidder with any competent bidder as a result of termination of the engagement and it shall be vested with sole discretion over this matter.

- 20.2. In the event a number of Bidders are awarded identical score and are ranked in the second place, another competitive round shall be held between these Bidders and they will be requested to improve their bid.
- 20.3. Cancellation of the Tender – the Tender Committee may cancel the Tender and publish a new tender or engage by law with any entity or provide the services by itself, at its sole discretion. Under no circumstances the Client shall pay any compensation of any kind, whether directly or indirectly, following the said cancellation except for return of the payment that was made by the Bidders as specified in section 5.1. A Tender cancellation notice shall be delivered to the Bidders in accordance with the contact details they provided to the Client.
- 20.4. Clarifications and supplementary materials – the Tender Committee may approach the Bidders with a request to receive clarifications and/or supplementary materials for their bid in accordance with the provisions set forth in any law.
- 20.5. The Client reserves the right to add, remove or change any of the details specified in the Tender, including a change of any of the dates specified in accordance with the provisions set forth in any law.
- 20.6. The Client shall be entitled not to take into account a bid that lacks any reference in accordance with the requirements set forth in the Tender or that the Client is of the opinion that it prevents appropriate evaluation of the bid, or that lacks all the required certificates or that its structure is defective.
- 20.7. In the course of examining and evaluating the bids, the Client may contact all Bidders or any thereof to receive clarifications that arise in the course of examining the bids.
- 20.8. To dispel any doubt it is clarified that the notice on the Winning Bidder shall not terminate the Tender or give rise to a contractual relationship between the Client and the Bidder and before signing the Agreement between the Client and the Winning Bidder, that constitutes part of the Tender booklet, the Tender Committee shall be entitled to cancel or change its decision at its sole discretion. After delivering the notice to the Bidders about the Tender results, the Client shall deliver the signed contract to the Winning Bidder.

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- 20.9. Ownership of the Agreement and use thereof – the Tender and the Agreement are the intellectual property of the Client that is delivered to the Bidder solely for the purpose of submitting the bid. Any use of these materials other than for the purpose of submitting the bid is prohibited.
- 20.10. Ownership and use of the bids – the Bidder's bid is the property of the Client. The Client shall be entitled to use the bid and the information contained therein for any matter with respect to its activities in connection with the Tender.
- 20.11. The said in this chapter or in the Tender shall not derogate or affect any right granted to the Client or the Tender Committee or the State in accordance with the provisions set forth in the Mandatory Tender Law 5752-1992, the regulations promulgated thereunder or in accordance with the provisions set forth in any law.

## **21. Date of providing the services**

- 21.1. The Fund shall be incorporated as a community interest company and shall be established up to 45 days as of the date the Tender Committee delivered notice about the winning of the Bidder in the Tender, subject to approval of the Articles. Any delay as of this date shall be deemed as breach of the undertakings in accordance with the Tender and the Client may seek all rights in accordance with the provisions set forth in any law and in accordance with this Tender including forfeiture of the guarantees.

## **22. The Agreement**

- 22.1. The Winning Bidder undertakes to sign the Agreement in the form enclosed with Appendix Q (as updated by the Client following questions or clarifications, to the extent that there are any) and submit it together with its bid for the Tender.
- 22.2. The signature of the Client on the Agreement and the coming into force of the Agreement is conditional on the prior fulfillment of all the different undertakings required from the Winning Bidder.

## **23. Right of review**

- 23.1. In accordance with the provisions set forth in the Mandatory Tenders Regulations 5753-1993, Bidders that did not win the Tender may request to review the winning bids. The Bidder shall specify in writing in its bid which sections in its bid may not be disclosed to the other Bidders except for leverage percentage and the rate of operating expenses in the Tender. Nevertheless, the Tender Committee may, at its sole discretion, present to Bidders that did not win the Tender any document that in its professional opinion does not constitute a commercial or trade secret and that is

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required for the purpose of complying with the provisions set forth in the Mandatory Tenders Regulations 5753-1993.

**24. Provision of the Services**

24.1. The Services shall be provided by the Winning Bidder and employees thereof. The Winning Bidder may not deliver or assign its rights and obligations in accordance with this bid – in whole or in part – to a third party, without obtaining the prior and written consent of the Tender Committee.

**25. Jurisdiction**

This Tender shall be governed by the laws of the State of Israel. The competent courts in the Jerusalem area shall be vested with sole and exclusive jurisdiction over any matter relating to and arising out of this Tender.

## Appendix G – Undertaking Letter of a Lender to the Fund

This form shall not be modified or stipulated upon.

**For your attention: this Appendix shall be inserted in a separate envelope!**

To:

Government of Israel

By the Ministry of Finance and/or the Inter-ministerial Tender Committee

**Re: Procedure for the election of an entrepreneur to set up a social enterprise fund**

\_\_\_\_\_ [Bidder's name] (hereinafter: "**Bidder**") approached us, \_\_\_\_\_ [name of the lending entity] with a request to issue for it this letter so as to add it to the invitation to take part in the procedure for the election of an entrepreneur to set up and operate a social enterprise fund (hereinafter: "**Fund**") that was published by the Tender Committee on July 28, 2014 (hereinafter: "**Tender**").

We declare that we are familiar with the Bidder, its composition and shareholders thereof, including their experience, skills and capabilities, and the principal terms and conditions of the Tender and the Fund as specified in the Tender Documents, including our undertaking in this letter.

Based upon the foregoing, we declare that we will provide funding for the Fund managed by the Bidder in a total amount of NIS \_\_\_\_\_M, as a loan to the Fund, in accordance with the provisions set forth in the Tender, and for an interest that shall not exceed Prime interest plus 1.5%.

We undertake to transfer the funds whenever the Fund so requests from us, as of the date of setting up the Fund and until expiration of the Agreement.

In addition, the loan that shall be provided as part of this Undertaking Letter shall be in effect for a period of at least five years, with a grace period on the principal for a period of two years minimum, when repayment of the loan shall be made according to Spitzer amortization schedule or an amortization schedule of fixed repayment on account of the principal (the principal amount divided by the number of repayments).

The said amount in this Undertaking is linked to the consumer price index known on the last date of receiving the bids.

All authorized entities that are required by \_\_\_\_\_ [name of the lending entity] confirmed the issuance of this Undertaking Letter.

This Undertaking is irrevocable and is granted after we examined all the Tender Documents and we are aware that in the event you elect the Bidder as the Winning Bidder in the Tender this will be based upon this Undertaking Letter, *inter alia*, with all ensuing consequences, including towards the Client.

We confirm and agree that this Undertaking Letter shall be enclosed with the Bidder's bid for the Tender.

**The Joint Inter-Ministerial Committee of the National Insurance Institute, the National  
Economic Council and the Ministry of Finance**

Respectfully yours,

---

[Name and Signature of the Lending Entity]

**It is clarified that the binding version of the letters of undertaking is the Hebrew version as specified in the Tender Documents and the lenders and contributors shall be required to sign the undertakings letters in the Hebrew version.**

## **Appendix H – Undertaking Letter by a Contributor to the Fund**

This form shall not be modified or stipulated upon.

**For your attention: this Appendix shall be inserted in a different envelope!**

To:

Government of Israel

By the Ministry of Finance and/or the Inter-ministerial Tender Committee

### **Re: Procedure for the election of an entrepreneur to set up a social enterprise fund**

\_\_\_\_\_ [Bidder's name] (hereinafter: "**Bidder**") approached us, \_\_\_\_\_ [name of the contributor] with a request to issue for it this letter so as to add it to the invitation to take part in the procedure for the election of an entrepreneur to set up and operate a social enterprise fund (hereinafter: "**Fund**") that was published by the Tender Committee on July 28, 2014 (hereinafter: "**Tender**").

We declare that we are familiar with the Bidder, its composition and shareholders thereof, including their experience, skills and capabilities, and the principal terms and conditions of the Tender and the Fund as specified in the Tender Documents, including our undertaking in this letter.

Based upon the foregoing, we declare that we will provide funding for the Fund managed by the Bidder in a total amount of NIS \_\_\_\_\_M, as a contribution to the Fund, in accordance with the provisions set forth in the Tender.

We undertake to transfer the funds whenever the Fund so requests from us, as of the date of setting up the Fund and until expiration of the Agreement.

The said amount in this Undertaking is linked to the consumer price index known on the last date of receiving the bids.

All authorized entities that are required by \_\_\_\_\_ [name of contributor] confirmed the issuance of this Undertaking Letter.

This Undertaking is irrevocable and is granted after we examined all the Tender Documents and we are aware that in the event you elect the Bidder as the Winning Bidder in the Tender this will be based upon this Undertaking Letter, *inter alia*, with all ensuing consequences, and including towards the Client.

We confirm and agree that this Undertaking Letter shall be enclosed with the Bidder's bid for the Tender.

Respectfully yours,

**The Joint Inter-Ministerial Committee of the National Insurance Institute, the National Economic Council and the Ministry of Finance**

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[Name and Signature of the Contributor]

**It is clarified that the binding version of the letters of undertaking is the Hebrew version as specified in the Tender Documents and the lenders and contributors shall be required to sign the undertakings letters in the Hebrew version.**

**Appendix Q – Agreement for the establishment of a social enterprise fund**

Drawn up and signed in \_\_\_\_\_ on the \_\_\_\_ day of the month of \_\_\_\_\_ 2014

**Between:**           **The National Insurance Institute**  
**Ministry of Finance**

(Hereinafter: "National Insurance Institute" or "The State")

Of the first part;

**And between:** \_\_\_\_\_

Registration no. \_\_\_\_\_

Of \_\_\_\_\_ St. \_\_\_\_\_

Tel.: \_\_\_\_\_; Fax: \_\_\_\_\_;

(Hereinafter: "**The Entrepreneur**")

Of the second part;

**And between:** \_\_\_\_\_ [under establishment by the **Entrepreneur**]

Community Interest Company no. \_\_\_\_\_

Of \_\_\_\_\_ St. \_\_\_\_\_

Tel.: \_\_\_\_\_; Fax: \_\_\_\_\_;

(Hereinafter: "**The Social Fund**" or "**The Fund**")

Of the third part;

**Whereas**           The Tender Committee published a public Tender ("**The Tender**") regarding the establishment of a social enterprise fund that will operate for the purpose of promoting disadvantaged populations as specified in the Tender Documents and in this Agreement and it wishes to establish such a fund as said;

**And whereas:**   The budget required for the purpose of performing this Agreement is allocated in items 21703004 (special enterprise fund), 21021134 (disabled persons development fund) and 21080346 (children and youth at risk fund) in the budget of the National Insurance Institute;

**And whereas:**   The Entrepreneur submitted a bid as part of the Tender in addition the terms set forth in the Tender including Appendixes thereof and in accordance with all other undertakings set forth in the Tender and Appendixes thereof including this Agreement;

**And whereas:**   The Entrepreneur declares that it possesses the experience and the ability to establish the Social Fund and to raise contributions and investments from investors, in the format specified hereunder and in accordance with the terms set forth in the Tender including

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Appendixes thereof and in accordance with the provisions set forth in this Agreement;

**And whereas:** The parties wish to regulate and formalize their relationship in anything related to the said, as specified in this Agreement;

**Therefore, it is Declared, Stipulated and Agreed between the Parties as Follows:**

1. Introduction and interpretation
  - 1.1. The preamble to this Agreement and Appendixes thereof shall be deemed an integral part hereof.
  - 1.2. The headings of the clauses will serve for the purpose of orientation and convenience only, and will not serve for the purpose of interpreting the Agreement.
  - 1.3. The Tender Documents and the Bidder's bid (including any modification thereof in the different stages of the Tender) (hereinafter: "**Supplementary Documents**") constitute an integral part of this Agreement. In the event of discrepancy or lack of conformity in the provisions set forth in this Agreement and/or the provisions set forth in the Supplementary Documents and/or the provisions set forth by law the stricter provision shall prevail, at the discretion of the National Insurance Institute, unless otherwise stated by the National Insurance Institute.
  - 1.4. This Agreement shall not be consulted *contra proferentem* and shall be deemed as an agreement drafted by all of its parties.
2. Definitions
  - 2.1. "**Disadvantaged Populations**" shall mean the populations specified in clause 9 hereunder.
  - 2.2. "**Operating Expenses**" or "**Operation Expenses**" of the Fund shall mean any expense made by the Fund that is not a financial investment in the activities of the projects (in any manner, whether by way of loan, guarantee, investment in capital or other) including the following expenses of the Fund: administrative and general expenses, wages and related benefits, communication expenses, office maintenance, taxes, IT, infrastructures, payment to outside professionals in anything related to the activities of the funds and the projects, marketing expenses, provision of support to the Fund and/or projects initiated on behalf of the Fund, establishment of a database and records management of the Fund activities, preparing reports to the board of directors and to the Monitoring Committee in accordance with the provisions set forth in this Agreement, social and business support for the projects, as specified in this Agreement
  - 2.3. "**The Client**" or "**The State**" – shall mean the National Insurance Institute, division of the Accountant General in the Ministry of Finance and the

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National Economic Council that are represented by the authorized signatories signed on this Agreement.

- 2.4. "**The Tender**" shall mean Tender no. 17/2014 for the establishment and operation of a social enterprise fund that was published on July 28, 2014 when this Agreement is an Appendix thereof.
- 2.5. "**Conditional Grant**" shall mean the conditional grant in the amount of up to NIS 9M and in addition to the bonus that is determined in accordance with the Tender procedures and as specified in section 18 of the Tender, that shall be provided in favor of the Fund by the Client as specified in clause 13.1.6 of this Agreement.
- 2.6. "**The Investors**" shall mean anyone other than the Client or any other government authority providing funds (whether by way of contribution, loan, and whether in any other manner set forth in accordance with the provisions set forth in this Agreement) in favor of the Social Fund.
- 2.7. "**The Social Fund**" or "**The CIC**" or "**The Fund**" shall mean the fund that shall be established as a community interest company in accordance with the provisions set forth in this Agreement and the Tender.
- 2.8. "**Monitoring Committee**" shall mean the entity in charge in anything related to the performance of the Agreement, whose functions and structure are specified in clause 17 of this Agreement.
- 2.9. "**National Insurance Institute Law**" shall mean the National Insurance Institute Law 5755-1995 and all regulations promulgated and/or that will be promulgated thereunder and any successor law or statute.
- 2.10. "**Companies Law**" shall mean the Companies Law 5759-1999 and all regulations promulgated thereunder and any successor law or statute.
- 2.11. "**Entrepreneur Funds**" shall mean the funds raised from the investors in accordance with the letters of undertaking enclosed with the Tender and this Agreement.
- 2.12. "**Fund Capital**" shall mean the funds that constitute the amount obtained from addition of the Conditional Grant within its meaning in clause 13.1.1 hereunder together with the Entrepreneur's Funds within their meaning in clause 13.1.2 hereunder. To dispel any doubt, increase of the Conditional Grant or increase of the investment in the Fund as specified in clause 13 of this Agreement shall not be deemed automatically as increase of the "Fund capital" within their meaning hereinabove unless otherwise agreed expressly between the parties.
- 2.13. "**Fund Capital Earmarked for Investment**" within its meaning in clause 13.1.5 hereunder.

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- 2.14. "**Lenders Funds**" the part of the Entrepreneur's Funds that derives from loans that shall bear interest that shall not exceed the maximum interest within its meaning hereinabove.
- 2.15. "**Philanthropy Funds**" shall mean the part of the Entrepreneur's Funds originating from contributions.
- 2.16. "**Projects**" shall mean businesses that comply with the definition of a "social business" as specified hereunder, that employ disadvantaged populations in accordance with the provisions set forth in this Agreement and Appendixes thereof and that comply with the criteria set forth in clause 9 of this Agreement and in which the Social Fund will invest, as specified in this Agreement.
- 2.17. "**Social Business**" shall mean one of the following: (a) an association whose Articles set forth the social objectives and that maintains business activities that are designated to accomplish these social goals or a community interest company whose articles stipulate social objectives and that maintains business activities that are designated to accomplish these social objectives with the aspiration to make profit but not to maximize profit; or (b) a limited liability company whose activities are aimed at attaining social objectives that were set forth in its articles, and that aspires to make profit but not to maximize its profits due to the promotion of its social objectives and whose articles impose a restriction of more than 50% of the distributable profits in that company (however without restricting the return of capital investments to the shareholders).
- 2.18. "**Control**" – within its meaning in the Securities Law 5728-1968.
- 2.19. "**Social Fund Articles**" shall mean the Articles that shall be adopted in accordance with the provisions set forth in this Agreement (including if amended in the future and in accordance with the provisions set forth in this Agreement).
- 2.20. "**Operating Expenses Limit**" shall mean the maximum amount in percentage out of the Fund Capital within its meaning in clause 2.12 that are \_\_\_\_% [**to be completed after election of the Winning Bidders**] as proposed by the Entrepreneur as part of the Tender for operating expenses during the Term of Agreement.
- 2.21. "**Annual Operating Expenses Limit**" shall mean 5% of the Fund Capital within their meaning in clause 2.12 hereinabove per year, and up to the Operating Expenses Limit within their meaning hereinabove.
3. Declarations and undertakings of the Entrepreneur and the Fund  
The Entrepreneur hereby affirms, declares and warrants towards the State that:
- 3.1. It holds all the means and capabilities, financial and other, to meet all its obligations fully and timely in accordance with this Agreement and it is

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not precluded by any prohibition, restriction or preclusion by virtue of any law or agreement barring its engagement in this Agreement and performance thereof and it shall not accept in the future any undertaking that can give rise to a prohibition, restriction or preclusion as said.

- 3.2. Its engagement in this Agreement was duly approved by its instruments of incorporation and the signatories of this Agreement bind it for all intents and purposes. The signatories on this Agreement and all supplementary documents or all documents that are required for the purpose of its performance on behalf of the Entrepreneur were duly authorized by law and their signature binds the Entrepreneur for all intents and purposes in connection with this Agreement.
- 3.3. It examined all documents of this Agreement, the Tender Documents and any other related document and it received all the information it requested and that is required for the purpose of signing this Agreement in this form.
- 3.4. During the entire Term of Agreement it holds and will hold the know-how, expertise, skills, experience, capabilities, means (including financial means), certificates, licenses and permits that are required by law to fulfill the provisions set forth in this Agreement and, without derogating from the generality of the aforesaid, the Entrepreneur declares that it possesses and will possess during the entire Term of Agreement the required administrative experience for the purpose of operating the Social Fund as specified in the Tender Documents and all its employees (present and future) shall possess the required experience.
- 3.5. It shall uphold all its undertakings and shall perform all actions it undertook to perform in accordance with this Agreement, fully and timely in the most professional and optimal manner and all entities on its behalf that act in connection with the performance of this Agreement shall act in the same manner.
- 3.6. That no proceedings for the liquidation, write-off, and composition of creditors and/or appointment of a receiver and/or a trust over its assets were or are instituted against it, it did not receive any notice regarding the intention to institute such proceedings as said and it is not aware of any cause of action that might give rise to such proceedings.
- 3.7. That it is cognizant of all laws, documents, regulations and requirements specified in this Agreement or that are relevant for the activities of the Fund and that it is capable of observing them in the performance of this Agreement.
- 3.8. That in anything related to the performance of this Agreement and in anything related to the activities and the management of the Fund, whether as a shareholder, an officer or other and/or in its involvement and/or the

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involvement of the Fund in connection with the activities of the projects, the Entrepreneur and the Fund shall act in accordance with the provisions set forth in any law, statute, regulations or the instructions set forth by any other competent authority and the Entrepreneur shall oversee and observe that the Fund and all employees thereof or anyone acting on its behalf shall act in the said manner.

- 3.9. All its declarations in this Agreement and in the Tender are full and accurate and it is not cognizant of any fact that may have a material adverse effect on its ability to perform this Agreement or any other material detail.
  - 3.10. It is aware that the Client engages with it in this Agreement based upon its representations and declarations in this Agreement.
  - 3.11. By signing this Agreement the Fund confirms the correctness of all the representations and undertakings made with respect to it.
  - 3.12. The Entrepreneur and the Fund undertake that this Agreement will also be approved by the competent organs of the Fund within 3 (three) days as of the date of its establishment and that the Social Fund shall also affix its signature in the margins of this Agreement until that date.
4. Objects of the Social Fund – the objects of the Social Fund are and will be during the entire Term of Agreement as follows:
- 4.1. Promoting and integrating disadvantage populations in the labor market by social businesses including:
    - 4.1.1. Investment in social businesses that provide to employees of the target populations a fair and supportive vocational environment that is adjusted to their special needs and that affords opportunities for personal growth and significant integration in the labor market.
    - 4.1.2. Investment in social businesses that employ employees in a variety of programs such as: vocational training and preparation for normative employment; permanent employment with professional support.
    - 4.1.3. Investment in social businesses that employ employees that belong to a variety of target populations while making an effort to employ also employees that are located in the far end of the spectrum in terms of their disadvantage or the challenge involved in their employment.
  - 4.2. Promoting and developing the market of social businesses in Israel including by way of:
    - 4.2.1. Investing in wide variety as possible of social businesses in terms of the markets where they operate, spheres of activity, sectors etc.

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- 4.2.2. Investing and developing social businesses for the purpose of making them financially stable and profitable concurrent with the realization of the social objectives for which they were established.
- 4.2.3. Increasing the funding resources of the social businesses market by leveraging government funds using philanthropy and private investors.
- 4.2.4. Aspiring to attain commercial success of the Fund, its economic stability and operational balance.
- 4.2.5. Development and adjustment of a professional theory for the establishment of social businesses in different spheres of activity (including employee training, professional support, provision of appropriate economic and administrative tools).

5. Structure and establishment of the Fund

The Entrepreneur and the Social Fund undertake that the Social Fund shall be incorporated and shall operate in accordance with the following principles:

- 5.1. The Social Fund shall be incorporated as a community interest company and shall be established up to 45 days as of the date the State delivered notice about the winning of the Bidder in the Tender, subject to approval of the Articles of Association as specified in clause 5.5 hereunder.
- 5.2. The Social Fund shall concentrate solely on the objectives that were set forth in clause 4 hereinabove, unless it obtained the prior and written consent to engage in other goals by the Monitoring Committee and subject to the provisions set forth in the Companies Law regarding the objectives of a community interest company.
- 5.3. The Entrepreneur and the Social Fund shall act in accordance with the provisions set forth in any law and without derogating from the generality of the aforesaid in anything related to the raising of contributions or investments for the Fund the Fund shall act in accordance with the provisions set forth in the Prohibition on Money Laundering Law 5760-2000 and regulations promulgated thereunder.
- 5.4. The director of the Social Fund shall not serve as the chairman of the board of directors of the Social Fund and no first degree relatives (spouse/parents, siblings and children) shall serve in these functions concomitantly.
- 5.5. The Articles of Association of the Social Fund shall reflect the provisions set forth in this Agreement with regard to the Articles of Association. The Entrepreneur shall deliver the Articles of Association of the Social Fund ("**Articles**") to the Monitoring Committee prior to its submission for registration and within 14 days as of the date of its winning in the Tender

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at the latest, so that the Monitoring Committee can examine whether the provisions set forth in the proposed Articles are not in contradiction to the undertakings of the Fund and the Entrepreneur by virtue of this Agreement and that these provisions implement them appropriately. The Monitoring Committee shall deliver its comments to the Entrepreneur regarding this matter, to the extent that there are any, within 14 days as of the date of delivering the said Articles and the Entrepreneur shall correct these provisions until the date of establishment of the Fund within its meaning hereinabove. Any modification of the Articles shall be reported to the Monitoring Committee prior to its implementation. The Fund Articles shall provide that it may not be modified in such manner that its provisions shall be in contravention of the provisions set forth in this Agreement and the Tender Documents and that the National Insurance Institute is a beneficiary third party in this regard.

- 5.6. The Entrepreneur shall deliver the Agreement to be signed between the Entrepreneur and the investors for the review of the Monitoring Committee within 14 days after the date it won the Tender so that the Monitoring Committee shall see that the provisions of that Agreement are not in contravention of the undertakings of the Fund and the Entrepreneur by virtue of this Agreement. The Monitoring Committee shall deliver its comment on this matter, to the extent that there are any, to the Entrepreneur within 14 days as of the date of delivering the said Agreement for its review and the Entrepreneur shall correct these provisions until the date of establishing the Fund within its meaning hereinabove. Any modification of the provisions set forth in the investors' agreement shall be reported to the Monitoring Committee in advance. The investors' agreement shall stipulate that it may not be modified in such manner that its provisions shall be in contravention of the provisions set forth in this Agreement and the Tender Documents and that the Client is a beneficiary third party in this regard.
- 5.7. The shareholders in the Social Fund shall be the Entrepreneur and the investors when the majority of the members of the board of directors in the Fund shall be appointed by the Entrepreneur. It is clarified that the investors are not committed to be shareholders in the Fund, unless the Entrepreneur and the investors reach agreement regarding this matter in accordance with the provisions set forth in the Social Fund Articles.
- 5.8. The Entrepreneur undertakes to maintain control (within its meaning in the Securities Law) in the Social Fund, both in terms of the percentage of its holding in the shares and in terms of its other rights in the Fund. Any

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change of control of the Fund shall require the prior approval of the Monitoring Committee as specified hereunder.

6. Restrictions on transfer of the shares of the Social Fund

The Social Fund Articles shall set forth the following provisions, *inter alia*:

- 6.1. A Shareholder in the Social Fund shall not be entitled to transfer any of his shares save as provided in this clause.
- 6.2. Without derogating from the said, the shares of the Social Fund may not be bequeathed, attached or charged and they shall not constitute part of the assets of the shareholders that are up for distribution in liquidation or in his bankruptcy, as the case may be, and shall not be granted to the liquidator or a trustee, as the case may be; upon the death of a shareholder or liquidation thereof, the shares shall be deemed as dormant shares.
- 6.3. Any transferee shall step in and take over the transferor for all intents and purposes as specified in clause 6.7 hereinabove.
- 6.4. The transfer of shares that was done not in accordance with the provisions set forth in this clause 6 and/or the provisions set forth by law shall be null and void. In addition, the board of directors of the Social Fund may decide that a share that was transferred in contravention of the provisions set forth in this clause shall be deferred and the provisions set forth in clause 6.5 shall apply thereto.
- 6.5. The Entrepreneur and/or any other entity holding control of the Fund, if and to the extent that there is any in accordance with the provisions set forth in this Agreement ("Controlling Shareholder of the Fund") shall not be entitled to transfer its shares and in the Social Fund to any third party, including other shareholders in the Fund, without obtaining the prior and written approval of the Monitoring Committee for such transfer as said, except for a transfer to a corporation that is wholly owned by the Controlling Shareholder in the Fund or to a corporation holding 100% of the shares of the Controlling Shareholder in the Fund upon delivery of prior notice to the Monitoring Committee. For the purpose of this matter, even the transfer of a shareholder in the Controlling Shareholder in the Fund (the Entrepreneur or other) itself in a manner that transfers control in the Controlling Shareholder in the Fund to a third party, whether directly or indirectly and in full corporate concatenation, shall be deemed as transfer of control in the Fund for the purpose of this Agreement and shall require the prior and written approval of the Monitoring Committee. In any event in which a Controlling Shareholder in the Fund transferred control in the Fund to a third party in contravention of the provisions set forth in this clause 6.5, this shall constitute breach of this Agreement and

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shall entitle the Client to obtain the reliefs specified in clause 15 hereunder.

6.6. Deferral of shares: in each of the following cases the shares of a shareholder in the Social Fund shall become deferred, that is to say, shares that do not automatically confer any right upon their holders, and without a need to pass a resolution of the board of directors of the Social Fund or its general meeting; the following are the cases:

6.6.1. The shareholder died, heaven forbid, became legally incompetent, was declared bankrupt or a temporary or permanent liquidator or a receiver was appointed over all or the majority of its assets and the liquidation or receivership order as said was not eliminated within 45 (forty five) days, or that the activity of the of the shareholders discontinued and was not renewed within 45 (forty five) days.

6.6.2. A share that was transferred in contravention of the provisions set forth in clause 6 hereinabove shall become a deferred share.

6.6.3. In any other circumstances as set forth in the Social Fund Articles.

6.7. Limitation of sale to a third party:

Without derogating from the foregoing, no shareholder shall sell his shares or his shares in the Social Fund, in whole or in part, unless the purchaser signs an undertaking towards the Social Fund stating that he undertakes to assume upon itself, *inter alia*, any undertaking and/or obligation owed by the shareholder that contemplates to sell his shares in the Social Fund, in whole or in part, towards the Social Fund, its shareholders as such and/or towards a third party, by virtue of its position as a shareholder in the Social Fund, whether as a social investor, contributor or other.

7. The board of directors of the Social Fund and its committees

7.1. The board of directors of the Social Fund shall include 7 directors who will be appointed according to the following key:

7.1.1. At least 3 members of the board of directors shall have social background as specified in Appendix A of this Agreement.

7.1.2. At least 3 members of the board of directors shall have economic background, of which one will have accounting background as specified in Appendix A of this Agreement.

7.1.3. At least one of the members of the board of directors at any time shall be an independent public representative who will not be related, whether directly or indirectly, to the Entrepreneur and/or to the investors and who will comply with the terms of competence for a director with a social background and/or a

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director with an economic background as specified hereinabove, and who will be elected from the members of the disabled persons, mothers and children committees that was established by the appointed council in accordance with the National Insurance Institute Law, other than State's representatives. The National Insurance Institute shall deliver to the Fund, upon its demand, the updated list of the said members and shall provide it all the required information in this regard. The prospective director who is a public representative shall be elected by the Board. It is clarified that in the event the Fund is unable to appoint a public representative as said due to the refusal of appropriate prospective members to serve in the position and after conducting in due diligence in this regard, this shall not be deemed as breach of this Agreement. However, in such circumstances as said the Fund shall be obligated to appoint one independent public representative who will not be related to the Entrepreneur directly or indirectly and/or to the investors, who will comply with the terms of competence for a director with a social background and/or a director with an economic background as specified hereinabove.

- 7.2. The directors shall be elected once a year in the annual meeting and in the event the office of a director is vacated during the year, the other members of the board of directors may appoint a substitute for that director until the upcoming annual meeting and provided that the substitute director complies with all the terms in office in the same manner as the director whose office was vacated.
- 7.3. The members of the board of directors shall comply with all terms of competence during the entire term in office. In the event one of the members of the board of directors loses his competence during his term in office, the other members shall appoint a substitute for that director within 30 days at most and to notify the Monitoring Committee about the same.
- 7.4. The directors may appoint one of their number as a chairman of the board and shall be entitled to substitute him upon approval of a majority of at least five directors from time to time. The chairman of the board may not serve as the managing director of the Fund.
- 7.5. The directors in the Fund will receive no pay for their term in office even if the Companies Law allows otherwise and this provision shall be incorporated in the Fund Articles.
- 7.6. The quorum in the meetings of the board of directors shall constitute the majority of its members in office and in any event the Articles or this

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Agreement provide that a certain resolution shall be passed solely upon the approval of the public representative the quorum for that Board meeting shall also include that director.

- 7.7. **Observer** – the National Insurance Institute shall be entitled to appoint a representative on its behalf as an observer in all meetings of the board of directors and committees thereof ("**Observer**"). The Observer shall be entitled to receive invitations to the meetings of the board of directors and committees thereof, attend thereat and receive any information that a member of the board of directors or a member of a board committee is entitled to receive as if he was a member of the board of directors for all intents and purposes. Without derogating from the generality of the aforesaid, the Observer shall be entitled to demand any information specified in Sections 265-266 of the Companies Law regarding the Social Fund and in anything related to its related companies. The Observer shall not be entitled to vote in the meetings of the board of directors or committees thereof or bind the Social Fund in any manner. It is clarified that the Observer is not an organ or an officer in the Social Fund and does not owe the Social Fund the duties of care or fiduciary duties or other duties owed by an officer. Notwithstanding the said, the Social Fund undertakes to include the Observer in the senior employees insurance it arranges on its behalf. The National Insurance Institute may replace and appoint another observer instead of the Observer at all times upon delivery of notice to the Fund. It is clarified that the Observer shall be entitled to deliver any information he receives to the National Insurance Institute and to the Monitoring Committee.
- 7.8. The articles of association of the Company shall state that the board of directors of the Social Fund and committees thereof shall be authorized to pass the resolutions as specified in this Agreement (including in accordance with the provisions set forth in clauses 8.2, 9.2.8, 9.11, 9.12, 17.3 and 18.1) and that the board of directors of the Fund shall have the powers vested to it in accordance with the Companies Law.
- 7.9. Investments Committee
- 7.9.1. The Fund may appoint an Investments Committee that shall comprise of members of the board of directors and that shall be entitled to pass resolutions regarding investments in projects that comply with the terms set forth in this Agreement and the conditions for their performance. It is clarified that in the event no Investments Committee is appointed as said, the board of directors shall be the entity that will decide on this matter.

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7.9.2. The Investments Committee shall appoint 3 members of the board of directors with appropriate experience and training when at least one will have economic experience and one will have social experience as specified in Appendix A.

7.9.3. The Observer shall be entitled to attend the meetings of the Investments Committee and the meetings of any other committee that the board of directors decides to establish and the provisions set forth in clause 7.7 shall apply, *mutatis mutandis*.

8. General Meeting

8.1. The Observer appointed on behalf of the National Insurance Institute as specified in clause 7.7 hereinabove shall also be invited to the General Meetings of the Social Fund and shall have no voting right thereat, and shall receive for his review all the materials delivered to the shareholders of the Fund. The provisions set forth in clause 7.7 hereinabove shall apply, *mutatis mutandis*.

8.2. The resolutions of the General Meeting shall be passed by a majority as set forth in the Fund Articles.

9. Criteria and investments management policy in the Fund

The criteria and the investments management policy in the Fund shall be as follows:

9.1. The Fund capital shall be invested in projects that comply with the objectives set by the Social Fund and the other provisions set forth in this Agreement.

9.2. "**Disadvantaged populations**" in this Agreement shall mean any of the following populations:

9.2.1. Persons with disabilities: (a) a person who was designated 20% disability rate and above; (b) a person suffering from hearing loss of 50 decibels or more; or (c) a person who was designated by the committee for the integration of persons with disabilities in the Ministry of Economy, after examining relevant medical certificates, as a disabled person in accordance with the provisions set forth in the Equal Rights for Persons with Disabilities Law, 5758-1998.

9.2.2. Youth and young adults at risk: teenagers and young adults ages 15-25 in severe stress conditions that are at the end of the therapeutic – educational spectrum: experiencing difficulties in personal and social functioning, dropped from formal educational environments or are in social disconnection and at risk to deteriorate to delinquency and social deviance and were referred by the unit for the promotion of youth in the municipality or the

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Ministry of Education by the Division for Adolescents, Young Adults and Correctional Services in the Ministry of Social Affairs and Social Services or by another government entity or another entity that was recognized and certified by the relevant ministry and that engage in the treatment of youth and young adults at risk.

- 9.2.3. Former addicts: any person that was referred by the welfare bureau, the Service for Treatment of Addictions in the Ministry of Social Affairs and Social Services or rehabilitation services that act for the purpose of rehabilitating former addicts that were recognized by the relevant ministry.
- 9.2.4. Ex-convicts or whoever is in danger of deteriorating to a life of crime: (a) prisoners who were released from prison within 5 years as of the date of their release and were referred by the prisoner rehabilitation authorities; or (b) whoever is in a state of social marginality and deterioration manifested as social deviation, violence and delinquency and were referred by the division of youth services, young adults and correctional services in the Ministry of Social Affairs and Social Services.
- 9.2.5. Single parent: whoever is defined as a single parent in accordance with the Single Parent Law and is entitled to alimony or income support benefits.
- 9.2.6. The elderly: whoever is in the age of entitlement for old age benefits and is entitled to income support benefits in addition to old age benefits.
- 9.2.7. Long-term unemployed persons/excluded from the labor market: whoever receives income support benefits.
- 9.2.8. Any other population that was approved both by the Board of the Social Fund and by the Monitoring Committee as specified in clause 17 hereunder.
- 9.3. Diversity – the Fund shall act for the purpose of investing in projects that employ a wide variety of members of the disadvantaged populations including difficult cases that are the considered to be located in the far end of the spectrum.
- 9.4. Unless the Monitoring Committee grants its approval for special cases that shall be examined on their merit, projects that will receive the support of the Fund must comply with the following cumulative requirements:
- 9.4.1. Each project will employ at least five employees that belong to disadvantaged populations.
- 9.4.2. The employees who are among the disadvantaged populations shall constitute no less than 25% of all employees in the project.

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Nevertheless, in a project that employs persons that are part of the long-term unemployed group and the single parents group, disadvantaged populations shall constitute at least 50% of the employees.

- 9.4.2.1. In the event there are different types of employees belonging to different populations, the requirement for minimal employment percentage shall be according to a weighted ratio of the employees.
- 9.4.2.2. In a project that employs more than 100 employees the employees who are among the disadvantaged populations shall constitute no less than 20% of all employees.
- 9.4.3. Each of the employees in the project shall be employed in a 50% job scope (86 monthly hours) as a minimum, except for youth in an academic environment and the elderly who will be employed in 25% job scope as a minimum (43 monthly hours).
- 9.4.4. The terms of employment of employees from disadvantaged populations shall be identical to the terms of employment of employees who are not part of the disadvantaged populations including the possibilities and promotions and including social benefits, bonuses, leave days etc. Without derogating from the foregoing, the employees from disadvantaged populations shall earn minimum wages by law, and their employers shall strive so that their wages are higher, unless the Monitoring Committee approved payment of adjusted minimum wages.
- 9.5. The investment limit in any project shall be 15% of the Fund Capital Earmarked for Investment (including future funds that the Social Fund will receive).
- 9.6. The Social Fund will invest in projects that will employ in total at least 3 target populations and no more than 50% of the Fund Capital Earmarked for Investment shall be invested in projects that employ one population.
- 9.7. The Social Fund undertakes to invest at least 50% of the total Fund Capital Earmarked for Investment (as explained hereinabove) in new projects, that is to say projects that were established and that started to operate in the last 18 months before making an investment thereat.
- 9.8. The Social Fund shall not invest in projects that are under liquidation or insolvency.
- 9.9. The objectives and the restrictions on the distribution of profits as specified hereinabove regarding the definition of the "social business"

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shall be set forth in the articles of any company in which the Fund makes an investment.

- 9.10. The Social Fund shall not charge management fees or any other payments from the projects in which it invests, whether directly or indirectly, for accompanying and supporting their activities, for evaluation or in connection with any other operating expenses of the Fund that are related to performance of its roles in accordance with this Agreement, and shall not impose on the projects the funding of its duties and responsibilities in accordance with this Agreement in any other manner.

To the extent that the Fund charges such amounts from the projects as said in contravention of the provisions set forth in this clause then these amounts shall be part of the operating expenses of the Fund and shall be deducted from the operational funds in the projects for the purpose of examining the compliance of the Fund with the provisions set forth in this Agreement and without derogating from the other reliefs granted by the National Insurance Institute in this context.

- 9.11. The Investments Committee, to the extent established, or the board of directors of the Social Fund, in the event no Investments Committee was established, shall decide on the manner of investment in each project. It is clarified that an investment in equity and in capital is possible for the purpose of expanding existing social businesses or turning existing businesses into social businesses. It is further clarified that turning an existing business into a social business shall be deemed as an investment in the new project for the purpose of clause 9.7 hereinabove.

- 9.12. The Entrepreneur and the Social Fund undertake to enforce all the criteria set forth in this clause during the entire term of the Agreement. Any deviation from the criteria specified hereinabove shall be subject to the approval of the board of directors and then the approval of the Monitoring Committee in accordance with the provisions set forth in clause 17 hereunder.

10. Database, reports, studies and evaluations

10.1. Database and records of the Fund's activities

10.1.1. The Fund undertakes to set up and manage a database and document its activities and the activities of the social businesses in which it will invest. The basic structure of the database and the issues/documents documented thereat shall be as specified in Appendix C of the Agreement. The Monitoring Committee shall be entitled to add content to the database and decide on other issues that shall be recorded by the Fund.

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- 10.1.2. The database and the issues that will be recorded, as specified in clause 10.2, shall serve as basis for the reports that shall be delivered from the Fund to the Monitoring Committee and the Board, and shall be provided to a research entity that will perform the evaluation study on the activities of the Fund for the Monitoring Committee as specified in clause 10.4.
- 10.1.3. The Fund shall assure at all times that the projects and employees thereof sign all certificates required by law for the purpose of delivering the data and storage thereof in computerized databases, including by virtue of the Database Law. To dispel any doubt it is clarified that identification details about the Fund employees and the employees of the social businesses shall be delivered to the research entity solely with respect to employees who granted their written consent to the said. The research entity shall receive details that do not include identification details for employees who did not consent to provide identification details.

10.2. Reports

The Social Fund shall prepare at its expense and shall deliver to the Monitoring Committee the following reports:

- 10.2.1. A bi-annual financial statement reviewed by an accountant that shall be delivered to the Monitoring Committee until the end of the subsequent calendric quarter.
  - 10.2.2. An annual financial statement reviewed and audited by an accountant that shall be delivered to the Monitoring Committee until June 30<sup>th</sup> of each calendric year subsequent to the calendric year for which the report was prepared.
  - 10.2.3. A payroll report submitted to the income tax authorities (Form 126).
  - 10.2.4. Trial balances for each year of activity.
  - 10.2.5. An annual activity report as specified in Appendix D.
- 10.3. The Entrepreneur and the Fund are aware that the timely and full delivery of the reports to the Monitoring Committee constitute a material condition in this Agreement and that the National Insurance Institute relies on this undertaking when signing this Agreement. The Fund and the Entrepreneur are aware that due to the fact that the parties anticipate that the social businesses will develop in Israel it is possible that the Monitoring Committee will demand in the future a change in the format of the reports or addition of data and the Fund and the Entrepreneur undertake to assist the Monitoring Committee on this matter and provide it such data as said.

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- 10.4. Evaluation study – without derogating from the said, the National Insurance Institute shall be entitled to conduct an independent research, measurement and evaluation at its expense, whose researchers shall be elected in a separate procedure. The Entrepreneur and the Social Fund undertake that the projects and anyone acting on their behalf shall fully cooperate with the researchers who will conduct the said evaluation or measurement at their request and will provide them the information required in this framework in accordance with the provisions set forth in clause 10.2 hereinabove. The parameters specified in Appendix B shall be, *inter alia*, the parameters that shall be examined in the evaluation study. Nevertheless, it is clarified that the National Insurance Institute shall be entitled to add research questions and examine them.
11. Investment Periods
- 11.1. The investment period of all the Fund funds as specified in clause 13.1 hereunder is 3 (three) years as of the date of establishing the Social Fund ("**Investment Period**") unless the Investment Period was extended upon obtaining the approval of the Monitoring Committee as specified in clause 17 hereunder for an additional year. The Fund undertakes to invest in the projects the Fund Capital Earmarked for Investment within the meaning of this term in clause 13.1.5 hereunder during the Investment Period and in the rate specified in this clause.
- 11.2. The Fund shall invest the Fund Capital Earmarked for Investment in the following manner: (a) in the first year the Social Fund shall invest in projects at least 20% of the Fund Capital Earmarked for Investment; (b) in the second year the Social Fund shall invest in the projects an amount that, together with the funds that were invested in the first year, will constitute at least 50% of the Fund Capital Earmarked for Investment; (c) in the third the Social Fund will invest in the projects an amount that, together with the amounts that were invested in the first two years, will constitute 100% of the Fund Capital Earmarked for Investment. The investment subject matter of this clause shall be deemed as any investment in a project, including by way of investment in share capital, a loan, shareholders' loan, providing a guarantee for the activities of the project etc. When measuring the investment in a specific year the provision of an undertaking for investment in a binding agreement or a memorandum of understanding that includes the main principles of the investment shall also be taken into account, provided that the said investment was made in the six months that succeeded the end of the relevant year.
- 11.3. In the event the Social Fund fails to meet the investment rate in accordance with the provisions set forth hereinabove during the Investment Period

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(including any extension thereof), as specified in this Agreement, and the Monitoring Committee did not grant its prior and written approval to the said, the provisions set forth in clause 15 of this Agreement shall take effect.

- 11.4. In the event the Fund asked to extend the Investment Period an application shall be submitted to the Monitoring Committee no later than 60 days prior to the expiration of the Investment Period. A prerequisite for the approval of the Monitoring Committee for the extension of the Investment Period is realization or extension of the effect of all letters of undertaking. The Monitoring Committee shall make a decision on the subject taking into account the rate of the investments made by the Fund and the ability of the Fund to make the investment during the period of extension. Upon expiration of the Investment Period a period that shall be referred to as the "**Monitoring Period**" shall take effect in which the provisions set forth in clauses 13.5 and 13.6 shall take effect, *inter alia*. Nevertheless, it is clarified that the undertaking of the Client to provide the funds of the conditional guarantee that are earmarked for investment in the projects shall expire upon the expiration of the Investment Period with respect to funds that were not withdrawn until that time in accordance with the provisions set forth in clause 13 hereunder, unless the Monitoring Committee approved otherwise.
- 11.5. It is clarified that in any event that a project ceased to serve as a social business, and no longer meets the criteria for investments as specified in this Agreement, the Social Fund shall cease promptly from making additional investments in the project, even if there is an undertaking of the Entrepreneur and/or the Social Fund to make such investments. The Social Fund and the Entrepreneur shall assure that the appropriate provisions are incorporated in the agreements that are signed between the Fund and the projects.
12. Suspending condition
- 12.1. The Monitoring Committee shall be entitled, however not obligated, to terminate this Agreement forthwith in any event of failure to deposit funds in accordance with the undertaking letters that were submitted as part of the Tender in contravention of the provisions set forth in clause 13 of this Agreement regarding the advances for the operating expenses and for the engagement in the tenders, without derogating from the undertakings of the Entrepreneur and the investors to provide the other amounts in accordance with the undertaking letters as specified in this Agreement or the reliefs the Monitoring Committee may seek in this regard.
13. Funding and Fund Funds

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- 13.1. The funding of the Fund that is required by virtue of this Agreement is divided into "**funding of operating expenses**" of the Fund and "**funding of the Fund investments in projects**" as specified hereunder, and shall be made out of the Fund funds within their meaning in clause 2.12 and that derive from a guarantee provided by the Client as specified in clause 13.1.1 hereunder and the funds of the Entrepreneur as specified in clause 13.1.3 hereunder.
- 13.1.1. **Conditional grant**: the Client undertakes to provide in total to the Fund for funding the operating expenses and for funding the investments in the projects (or for any other need to the extent agreed) a conditional grant in the amount of up to NIS 9M in addition to bonus whose amount and entitlement thereof shall be decided in addition the mechanism defined in the Tender. The grant shall be transferred, in accordance with the other provisions set forth in this Agreement, in a number of installments as specified hereunder and subject to obtaining the required approvals for investments by investors in accordance with the leverage ratio within its meaning in the Tender. The terms of the conditional grant are as specified in clause 13.1.6 hereunder.
- 13.1.2. The Fund is entitled to realize the undertakings of the investors even before the date of transferring the conditional grant. In any event, the funds of the grant shall not be transferred without obtaining the official approval on transfer of the parallel funds to the Entrepreneur, whether back to back and whether these funds were delivered at an earlier date.
- 13.1.3. **The Entrepreneur funds**: the Entrepreneur undertakes to provide its own funds and/or the funds of investors that reflect the leverage ratio that was proposed by the Entrepreneur in the Tender compared with the amount of the conditional grant ("Entrepreneur's Funds") in accordance with the provisions set forth in the undertaking letters. The composition of the Entrepreneur's Funds and the securities the Entrepreneur provides in this regard shall be as specified in clause 13.2 hereunder.
- 13.1.4. **Funding the operating expenses**: the operating expenses up to the operating expenses limit within their meaning in clause 2.19 shall be provided by the National Insurance Institute as part of the conditional grant and by the Entrepreneur out of the Entrepreneur's Funds, in accordance with the leverage ratio that was determined in the Tender during the Investment Period and

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the monitoring period within their meaning hereunder and in annual spread as specified hereunder:

- 13.1.4.1. The first payment that shall be transferred to the Fund for the operating expenses of the first year shall be equal to 5% of the total Fund funds within their meaning in clause 2.12 and it shall be transferred as a pro-rata advance by the National Insurance Institute (out of the conditional grant) and by the investors/the Entrepreneur (out of the Entrepreneur's Funds) pro-rata according to the leverage ratio that was set forth in the Tender. The order of transferring the advance shall be as follows: within 10 business days as of the date of incorporation of the Fund as a community interest company the Entrepreneur/the investors shall transfer their relative share in the operating expenses for the first year ("**Investors Advance for Operation**"). Within 10 business days thereafter the National Insurance Institute shall transfer its relative share in this advance according to the leverage ratio compared with the Investors Advance for Operation that was actually transferred and against confirmation issued by the Fund accountant evidencing its transfer. The advance subject matter of this clause shall be offset only in the last year of the monitoring period as specified in clause 13.1.4.2 hereunder.
- 13.1.4.2. Annual amount as of the second year: in addition to the advance once a year the National Insurance Institute shall pay to the Fund out of the conditional grant and by the investors/Entrepreneur out of the Entrepreneur's Funds an amount for operating expenses that were expended in the previous year in accordance with the operating expenses report that shall be approved by the Fund accountant and shall be subject to the examination and approval of the Monitoring Committee that shall examine its compliance with the provisions set forth in this Agreement. The investors shall transfer their share in this annual amount as said until the end of the first year as of the date of establishing the Fund and on the condition that until that date the Fund will submit its

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operating expenses report. The National Insurance Institute shall transfer its share in this amount within 10 business days thereafter according to the leverage ratio and the amounts that the investors/Entrepreneur will actually transfer. An amount equal to the annual amount for the actual operating expenses in this year shall be paid for the last year in the monitoring period for the operating expenses in accordance with the provisions set forth in clause 13.1.4.1 hereinabove with deduction of the advance.

- 13.1.4.3. The total amount paid for the operating expenses in the Fund until expiration of the Term of Agreement shall not exceed the limit of the operating expenses that was set forth in the Tender, within its meaning in clause 2.19.

In addition, in any event the annual amount paid for the operating expenses shall not exceed the annual operating expenses limit within its meaning in clause 2.20 hereinabove. Any deviation from the said limits is conditional on obtaining the prior and written approval of the Monitoring Committee. The operating expenses limit (and the annual operating expenses limit) may be reconciled in the course of performing this Agreement also by virtue of the provisions set forth in clause 13.4 [Increase of investments in the Fund] and 15.2 [Decrease of the operating expenses in the event of failure to provide the investments].

**13.1.5. Funding the investment in the projects:**

The amount that will be used by the Fund for the purpose of investing in the projects (hereinabove and hereinafter: "**Fund Capital Earmarked for Investment**") shall comprise the total funds of the Fund with deduction of the operating expenses as set forth in the Tender and, unless otherwise agreed expressly, from any amount that is raised for the Fund, whether by way of increasing the conditional grant and whether by making additional investments/loans as specified in clauses 13.3 and 13.5 hereunder. The Fund Capital Earmarked for Investment within their meaning hereinabove shall be transferred to the Fund by the National Insurance Institute out of the conditional grant, and by the

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Entrepreneur/investors out of the Entrepreneur's Funds, according to the leverage ratio and according to the following spread:

- 13.1.5.1. Advance: an advance equal to 7.5% of the Fund Capital Earmarked for Investment shall be transferred by the National Insurance Institute and the Entrepreneur/investors pro-rata (in proportion to their share) according to the leverage ratio that was set forth in the Tender. The order of transferring the advance is as follows: within 10 business days from the date the Fund is incorporated as a community interest company the investors shall transfer their relative share in the said advance ("**Investors Advance for Funding**"). Within 10 business days thereafter the National Insurance Institute shall transfer its relative share in this advance in accordance with the leverage ratio compared with the Investors Advance for Funding that was actually transferred and against confirmation issued by the Fund accountant evidencing the transfer of the Investors Advance for Funding. The advance subject matter of this clause shall not be offset against additional transfers for the Fund Capital Earmarked for Investment until all the funds of the Fund Capital Earmarked for Investment are used.
- 13.1.5.2. The other funds constituting the Fund Capital Earmarked for Investment shall be paid to the Fund during the Investment Period according to the actual rate of investments in the projects (including by way of providing a loan, providing a guarantee etc., and except for a contractual undertaking that was not realized yet). In order to receive these payments the Fund shall present to the National Insurance Institute and the investors a confirmation issued by an accountant evidencing actual investments made in the projects. Calls for payment as said shall not be in amounts that are lower by 5% of the Fund Capital Earmarked for Investment or once every six months, upon the lesser frequency. Payments shall be made by the National Insurance Institute (out of the conditional grant) and the Entrepreneur/the investors (out of the

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Entrepreneur's Funds) pro-rata according to the leverage ratio when with respect to each call for payment as said the investors shall be obligated to transfer their share within up to 10 business days as of the date of the call for payment that was proved the confirmation issued by the accountant and the National Insurance Institute within 10 days after the investors transfer their share and after receiving the said documents.

- 13.1.6. Terms of the conditional grant – the State's funds shall be provided in favor of the Fund as a conditional grant that shall become a grant upon expiration of the Term of Agreement and provided that this Agreement is not terminated before the Agreement expiration date for any reason. Without derogating from the said it is further agreed that until the conditional grant becomes a grant as specified hereinabove it shall be deemed as a loan that shall incur interest in the rate and in the maximum interest in accordance with the terms set forth in the Tender.
- 13.1.7. Priority of creditors in the Fund – in the event this Agreement is terminated by the Monitoring Committee before expiration of the Term of Agreement due to its breach or in the event the Fund is liquidated before expiration of the Term of Agreement, the priority of creditors in the Fund shall be in accordance with the provisions set forth hereunder, and the loan shall be returned to the National Insurance Institute pro-rata according to the return of the loans of the other investors in the Fund according to the balance of all loans that were provided by all the said entities until each date of return as said (including additional loans that are approved in accordance with the provisions set forth in clause 13.4 hereunder). In the event that on the date of the occurrence of an event as said there are no loans from investors – the loan shall be returned to the National Insurance Institute out of the first income of the Fund that will allow return of the loans fully or partially out of the cash balances of the Fund under liquidation. In the event that prior to the occurrence of an event as said the investors in the Fund received returns on account of loans they provided to the Fund, the National Insurance Institute shall have priority in the return of the conditional grant before the return on account of the investors' loans until it receives an amount whose ratio between the amount that was paid to the investors as said by

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virtue of their loans is identical to the ratio between the conditional grant and the loans that other investors provided to the Fund. The balance of the investors' loans and the balance of the conditional grant shall be returned to the investors and to the National Insurance Institute thereafter under the same terms, pro-rata.

13.1.8. Expiration of the undertaking to fund projects – it is clarified that all the undertakings made by the Client to provide funds in favor of the Social Fund in accordance with this Agreement for funding an investment in the projects as specified in clause 13.1.5 hereinabove shall expire upon expiration of the Investment Period (or any extension thereof) to the extent that they were not required previously in accordance with the provisions set forth in this Agreement. In addition, the undertakings of the Client to fund the operating expenses shall expire upon expiration of the Term of Agreement unless reduced or canceled previously by virtue of other provisions set forth in this Agreement.

13.1.9. **Linkage** – the Fund capital as specified in this Agreement and the undertakings of the National Insurance Institute and the investors to provide these funds to the Fund as specified in this Agreement shall be linked at a rate of 100% to the consumer price index published by the Central Bureau of Statistics or any entity authorized to replace it by the Government of Israel. The basic index shall be the index of the month in which the last date for submitting the bids occurs. Linkage shall be made every 6 months in a manner that the first linkage shall be made 6 months as of the date of signing the Agreement and every 6 months thereafter.

13.2. **Entrepreneur's Funds:**

13.2.1. The composition of the Entrepreneur's Funds shall be as follows: at least NIS 4.5M shall be philanthropy funds that shall be received from different entities and at least NIS 4.5M shall be the funds of lenders whose investment shall bear interest and shall be returned to the lenders in accordance with this Agreement. The other amounts, according to the leverage ratio that the Entrepreneur proposed in the Tender, may be either philanthropy funds or lenders' funds. The rate of providing the investors' funds to the Fund shall be in compliance with the provisions set forth in this clause 13.

13.2.2. For the purpose of securing its undertaking as said, the Entrepreneur deposited undertaking letters from the investors at

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the full rate of the Entrepreneur's Funds in the manner set forth in the Tender. The Entrepreneur declares that it is aware that it is required to complete the raising of all the Entrepreneur's Funds for the Fund by realizing the said undertaking letters, to the extent that this is required for the purpose of upholding the undertakings of the Entrepreneur and the investors to provide the Entrepreneur's Funds as specified in this clause 13 and as a prerequisite for providing the conditional grant at the rates specified in the Agreement. The Entrepreneur and the investors undertake to provide the funds they are obligated to provide to the Fund according to the undertaking letters for the purpose of providing the advances as specified in clauses 13.1.4.1 and 13.1.5.1 hereinabove and afterwards against a demand of the Fund Managing Director together with the documents required in accordance with this clause 13. In any event the Entrepreneur or the investors or any thereof breach their undertaking to invest in the Fund in accordance with the undertaking letters and no substitute investor is found until the date the Entrepreneur/investors were required to provide the Entrepreneur's Funds in accordance with this Agreement, this shall constitute a fundamental breach of this Agreement that will allow the National Insurance Institute to terminate the Agreement in accordance with the provisions set forth in clause 15 without derogating from the other reliefs it may seek in accordance with this Agreement. The Entrepreneur, the Fund and the investors hereby waive any allegations in connection therewith.

- 13.2.3. The investors shall affix their signatures in the margins of the Agreement and shall consent to act in accordance with its provisions. It is agreed that in the event an investor who signed an undertaking letter in the Tender withdraws from its undertakings, the Entrepreneur shall be entitled to find a substitute investor who will step in and take over the original investor that will be approved in advance in the Monitoring Committee and this shall not be considered, ipso facto, as breach of this Agreement. To dispel any doubt, the foregoing shall not derogate from the effect of an undertaking of an investor by virtue of the undertaking letter which he signed. In addition, during the entire Term of Agreement the Entrepreneur shall be entitled to find a new investor in accordance with the provisions set forth in this

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Agreement, against whose investment loans that were provided by other investors shall be returned.

- 13.2.4. The term for repayment the loans provided by virtue of the undertaking letters that were enclosed with the Tender shall not exceed 10 years as of the date of setting up the Fund and shall not fall below five years, as specified in clause 16.2 in the Tender and in Appendix G of the Tender. The maximum annual effective interest for the investors shall be the interest set forth in the Tender. Any modifications of these terms shall be presented for the approval of the Monitoring Committee.
- 13.3. Investments tracks: the Entrepreneur and the Fund undertake that until their actual investment, any balances that accrue in the Fund for any reason and that are not transferred immediately for the operation of the Fund or investments in the projects shall be invested by the Fund in solid investment tracks in the local market as specified hereunder: negotiable government bonds with redemption of up to 3 years; short term loans offered by the Bank of Israel; and/or short term shekel deposits and/or dollars deposit (U.S. dollar) in a banking corporation.
- 13.4. **Investments/additional loans/additional contributions:**
  - 13.4.1. The Social Fund shall be entitled to raise from existing and/or future shareholders and/or from other entities additional funds for its activities as an investment/loan/contribution without changing its objectives and goals and in accordance with the provisions set forth in this Agreement. It is clarified that the raising of additional funds as said shall not give rise to an undertaking to increase the conditional grant by the National Insurance Institute.
  - 13.4.2. Actions following which the financial risk in the activities of the Fund increases, such as raising additional loans to the Fund, including by way of increasing the credit, even if shareholders or other entities provided guarantees against them shall require the prior approval of the Monitoring Committee as specified in clause 17 hereunder regarding taking of the additional loan and for the purpose of the commercial terms of the additional loan including (however not limited to) interest in respect whereof.
  - 13.4.3. The approval of the Fund board of directors for the purpose of raising capital investments that lack a loan component and raising additional contributions and the approval of the Monitoring Committee shall not be required.

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13.4.4. Notwithstanding the aforesaid, if, as a result of raising additional funds for the Fund an extension of the Investment Period and/or a change in the Fund operating expenses limit compared with the provisions set forth in this Agreement are required and/or any other modification in the provisions set forth in this Agreement, this shall be presented for the prior approval of the Monitoring Committee in accordance with the provisions set forth in clause 17 as a condition for any change as said. As a result of the above, to the extent that the Monitoring Committee did not approve otherwise, any raising of additional funds for the Fund during the Term of Agreement shall be directed at investment in the projects.

13.5. **Increase of the conditional grant**

13.5.1. The National Insurance Institute shall be entitled, at its sole discretion, to increase the amount of the conditional grant provided to the Fund. In such circumstances the following provisions shall take effect:

13.5.1.1. The Monitoring Committee shall deliver notice to the Social Fund about the intention of The National Insurance Institute to increase the amount of the conditional grant to the Social Fund and the amount of the increase of the grant as said and the Social Fund shall approach investors to raise from them funds as specified hereunder according to the original leverage ratio that the Entrepreneur offered in the Tender, unless the Monitoring Committee approved otherwise.

13.5.1.2. It should be noted, and this shall not constitute an undertaking, that in its decision whether to increase the conditional grant, the Client shall consider, as a principal consideration, the compliance of the Fund with its goals and objectives as specified in Appendix B hereunder and the research results within its meaning in clause 10.4 hereinabove, and at the Client's sole discretion.

13.5.1.3. In the event the Entrepreneur and the existing investors or any thereof are not interested to increase their investment, the Social Fund may contact other entities.

13.5.1.4. In the event no such entities were found within three months, the Monitoring Committee may decide

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between the granting of the conditional grant to the Social Fund unilaterally, including change of status of the conditional grant and canceling its notice on increase of the conditional grant to the Social Fund.

- 13.6. Repeated investments – the Social Fund shall be obligated to invest all its profits in accordance with its goals and objectives and in projects that comply with the provisions set forth in this Agreement, subject to its compliance with its undertakings and management of its budget for the purpose of its activities as specified in this Agreement.
- 13.7. It is clarified that the projects in which the Fund will invest cannot seek funding and/or assistance from the funds operating on behalf of the National Insurance Institute, whether directly or indirectly.
14. Fund management
- 14.1. The Entrepreneur shall be responsible to manage the Fund in accordance with the provisions set forth in this Agreement and to recruit key employees as specified hereunder.
- 14.2. The Social Fund shall employ at least two professionals with the competence, scope and positions as specified hereunder (hereinabove and hereinafter: "**Key Employees**"); the Fund Director (at least half job scope) and the Professional Director (full-time job scope), that are competent and comply with the criteria set forth in section 9.4 in the Tender. Before the replacement of any Key Employee in the Fund the Monitoring Committee shall confirm in advance that the said Key Employee meets the said criteria. The Social Fund shall employ directly the Key Employees (employer-employee relationship), while the employment of any other entity may be implemented directly (employer-employee relationship) and may be implemented by the provision of services (self-employed/freelancer), at the discretion of the board of directors of the Social Fund from time to time and including by way of borrowing employees from the Entrepreneur.
- 14.3. The operating expenses of the Fund shall be limited as specified in clauses 2.19 and 2.20 hereinabove in particular and in this Agreement in general.
- 14.4. The Social Fund shall not employ, whether directly or indirectly, as employees or as self-employed, first degree relatives of the Entrepreneur/managers thereof.
- 14.5. Among its roles, the Fund shall support and accompany the Fund projects as specified hereunder:

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- 14.5.1. Social support for the projects – shall be done by an expert with practical experience in working with the target population that is employed in the project and that, *inter alia*, shall assist in creating the methods to attain the social objectives of the business, shall accompany the stages of establishment of the project and the development of its current modes of operation and modes of social intervention, shall provide professional assistance and guidance to the project in anything related to the employment of the target population and its integration in the labor market, shall assist in the creation of professional connections and shall provide targeted consultation in critical junctions in the life of the project. Social support may be provided by way of consultation and guidance on behalf of the Fund to the project management and/or by direct support on behalf of the Fund of the employees of the target population in the project or in any other manner in accordance with the objectives of the Fund.
- 14.5.2. Business support of the social businesses – the support shall be provided by an expert with experience in the business market where the project operates who will assist, *inter alia*, in preparing the business plan and the business objectives of the project, will accompany the establishment of the project and the preparation of the current modes of action, will assist in the business development for the purpose of attaining business success, will maintain regular connections with the project managers, will assist to the project in establishing professional connections and will provide targeted consultation in critical junctions in the life of the project.

15. The reliefs granted to the National Insurance Institute

- 15.1. In the event any of the circumstances of breach specified hereunder occurs, and the breach cannot be remedied, or in the event the breach can be remedied and is not remedied within 30 days as of the date the National Insurance Institute delivered notice to that effect, the National Insurance Institute shall be entitled to withhold or discontinue or decrease the amount of the funds transferred (funds earmarked for investment and operating expenses), as required from it in accordance with this Agreement, at its sole discretion and this shall not constitute breach on its behalf of the provisions set forth in this Agreement; the following are the events:

- 15.1.1. Three or more projects wherein the Fund made an investment went bankrupt or were liquidated, whether voluntarily or by the

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court, or terminated their operations during the Term of Agreement.

- 15.1.2. A deviation of 10%-50% a year of the annual rate of investment in accordance with the provisions set forth in clause 11.2 hereinabove and/or a deviation of 10%-50% of the rate of investment in the total investment period.
- 15.2. Without derogating from the generality of the said in clause 15.1 hereinabove, the Monitoring Committee shall be entitled to adjust the total operating expenses limit according to the relative share of the funds that were actually invested in the projects during the Investment Period or a part thereof compared with the said in clause 2.20 hereinabove. In that manner, for example, if during the Investment Period the Fund invested 90% of the Fund capital Earmarked for Investment the Monitoring Committee shall be entitled to decrease the total operating expenses limit to 90% of the limit that was set forth in the Tender.
- 15.3. In any event in which this Agreement is fundamentally breached by the Entrepreneur or the Social Fund and this breach cannot be remedied or in the event this breach can be remedied, and is not remedied within 30 days as of the date the National Insurance Institute delivered notice to that effect (and in the event of a defect in the transfer of the Entrepreneur's Funds – 20 days), and in the event that any of the events relating to this clause occurs, the Client shall be entitled, however not obligated, to take one or more of the following actions, upon delivery of written notice to the Social Fund, and at its sole discretion:
  - 15.3.1. To terminate and/or withhold the transfer of funds to the Social Fund as of that date and thereafter despite the provisions set forth in this Agreement and this shall not be deemed as breach of the Agreement on behalf of the National Insurance Institute.
  - 15.3.2. In the event three months passed as of the date of declaring the Entrepreneur as the Winning Bidder in the Tender, cancel the winning of the Entrepreneur and elect the runner-up in the Tender instead of the Entrepreneur in accordance with the provisions set forth in the Tender.
  - 15.3.3. To terminate the Agreement promptly and implement the priority of creditors as specified in clause 13.1.7 hereinabove.
  - 15.3.4. To seek the reliefs specified in this clause 15 or any thereof.
- 15.4. For the purpose of this clause 15 "fundamental breach" shall mean, however not limited to, deviation of more than 50% of the rate of making investments in the projects in accordance with the provisions set forth in clause 11.2 hereinabove and/or an investment of less than 50% of the Fund

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capital Earmarked for Investment upon expiration of the Investment Period, an omission on behalf of the Entrepreneur or the investors in the transfer of the Entrepreneur's Funds in contravention of the provisions set forth in the undertaking letters and this Agreement, deviation from the limit of the operating expenses/the limit of the annual operating expenses, making investments in contravention of the criteria set forth in clause 9.2 hereinabove, failure to submit reports as required in accordance with clause 10, the grounds for termination specified in clause 16.2 hereunder, the conviction of the Entrepreneur or the Key Employees or anyone acting on its behalf of an infamous crime or an offense that is related to an office subject matter of this Agreement or in the event the National Insurance Institute found, at its sole discretion, that the Entrepreneur and/or the Key Employees and/or anyone acting on its behalf breached the trust of the Fund or acted fraudulently in connection with the activities of the Fund and the provisions set forth in this Agreement.

- 15.5. It is clarified that the avoidance of the National Insurance Institute of seeking and exercising all or part of its remedies whether in one instance and whether in a number of instances shall not derogate from its right to exercise any remedy granted to it in accordance with this Agreement on the date of its choice. Taking or not taking any of the actions specified hereinabove shall not constitute breach of the terms of this Agreement or the Tender and shall not entitle the Entrepreneur and/or the Fund and/or shareholders, creditors or right holders thereof and/or anyone acting on their behalf with any remedy towards the National Insurance Institute or in general.
16. Term and termination of the Agreement
- 16.1. This Agreement shall take effect after its signing by the Client and shall remain in effect from that time and up to 10 (ten) years as of the date of setting up the Fund ("**Term of Agreement**"). It is clarified that termination of this Agreement, ipso facto, shall not result in termination of the activities of the Social Fund and the Social Fund shall be entitled to continue its operations even after termination of the Agreement. It is agreed that the Social Fund shall be obligated to continue and act according to its objectives during the entire period of its existence and this clause shall survive even after termination or expiration of this Agreement for any reason.
- 16.2. Without derogating from any other provisions set forth in this Agreement, the National Insurance Institute may terminate this Agreement forthwith in any event a receivership proceeding is instituted against the majority of the assets of the Entrepreneur or the Social Fund, or liquidation (including

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voluntary liquidation), attachment of the majority of its assets and in the event the said proceeding is not voided 30 days following its commencement, and in any event the Social Fund or the Entrepreneur becomes insolvent or discontinues their activities.

17. Monitoring Committee

17.1. **Role of the Monitoring Committee** – the Monitoring Committee is the entity designated by the Client in anything related to this Agreement and performance thereof and within its roles it shall examine on behalf of the Client the performance of this Agreement by the Entrepreneur and the Social Fund, it shall be authorized to deliver notices on behalf of the Client in accordance with this Agreement and receive the reports that the Entrepreneur and the Social Fund are required to deliver to the Client by virtue of this Agreement and, without derogating from the generality of the aforesaid, the Monitoring Committee shall be authorized to examine and approve or reject on behalf of the Client any modification or amendment of the provisions set forth in this Agreement including as specified in clause 17.7 hereunder.

17.2. **Composition of the Monitoring Committee** – the Monitoring Committee shall comprise 5 representatives, of which two representatives shall be appointed by the National Insurance Institute (one of which shall serve as chairman of the Committee), two representatives on behalf of the Accountant General and a representative on behalf of the National Economic Council. All entities appointing representatives in the Monitoring Committee shall be entitled to substitute the representatives on their behalf from time to time and at their discretion. The contact person of the Committee with the Fund and the Entrepreneur shall be a representative on behalf of the National Insurance Institute or any other person as instructed by the National Insurance Institute.

17.3. **Objectives of the Fund and discussions in respect whereof** – the Monitoring Committee shall meet with the Managing Director and Chairman of the Fund at least once every three months for a meeting to discuss the compliance of the Fund with the objectives that shall be set forth by the board of directors. For the purpose of this matter the board of directors shall set for the Fund detailed objectives once a year and for each of the projects that are consistent with the objectives of the Fund as set forth in clause 4 hereinabove and that relate, *inter alia*, to the objectives specified in Appendix B of the Agreement. In addition, each of the parties to this Agreement is entitled to call a meeting of the Monitoring Committee upon coordination with the other parties in any matter related to this Agreement.

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- 17.4. **Decisions of the Monitoring Committee** – the decisions of the Monitoring Committee shall be delivered to the Entrepreneur and to the Fund solely in writing (including by email) by the contact person on behalf of the Committee. Any matter that was not expressly approved in writing by the Monitoring Committee as said shall be deemed to have been rejected by the Committee.
- 17.5. The parties agree that any action taken by the Social Fund on the matters enumerated in the clause without obtaining the prior and written approval of the Monitoring Committee shall be deemed as breach of this Agreement and, in the event the said breach is not remedied within 30 days as of the date of receiving notice from the Monitoring Committee to that effect, shall entitle the National Insurance Institute to terminate the Agreement as specified in clause 15.2 without derogating from the other remedies it may seek by law.
- 17.6. The Social Fund and the Entrepreneur undertake to notify the Monitoring Committee about any information that is required for the purpose of making a decision in the Monitoring Committee as required by the Monitoring Committee from time to time.
- 17.7. As said, the prior and written approval of the Monitoring Committee shall be required in any matter that constitutes modification or amendment of the terms of this Agreement and, without derogating from the generality of the aforesaid, the approval of the Monitoring Committee shall be required stating that certain actions of the Entrepreneur/Fund comply with the terms of this Agreement as specified hereunder:
- 17.7.1. Modification or amendment of the objectives of the Social Fund.
- 17.7.2. Approval of the terms of additional investments/loans/credit frames that shall be provided to the Fund by its shareholders by virtue of clause 13 hereinabove or by any other third party.
- 17.7.3. Approval of investments in projects that deviate from the criteria set forth in clause 9 hereinabove.
- 17.7.4. Prior approval before change of control in the Social Fund whether by way of transferring shares and whether in any other manner (including as set forth in clause 6 hereinabove), and including and without derogating from, any merger and/or sale of the majority of the assets of the Social Fund and/or voluntary liquidation of the Social Fund.
- 17.7.5. Prior approval before performing transactions of stakeholders in the Social Fund as specified in clause 19 hereunder, including an investment made by the Fund in entities that are related to

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stakeholders, to the extent that such transaction is not subject to the approvals by virtue of clause 345L of the Companies Law.

- 17.7.6. Approval prior to implementation of any modification in the Articles of the Social Fund whose outcome is in contravention of the provisions set forth in this Agreement and/or the Tender.
  - 17.7.7. Approval that the substitution of Key Employees that are recruited complies with the criteria set forth in clause 14 hereinabove.
  - 17.7.8. Approval on the extension of the Investment Period as specified in this Agreement.
  - 17.7.9. Any additional action/decision that requires the approval of the Monitoring Committee as specified in this Agreement even if not expressly noted hereinabove.
- 17.8. To dispel any doubt the approval granted by the Monitoring Committee shall not grant approval for any other transaction or action in the Fund or in the Entrepreneur but shall attest solely to the approval of the Monitoring Committee of the said action, and the Entrepreneur and the Fund are responsible to obtain all required confirmations for any action as said, including by virtue of any law, agreement or the Fund Articles.
18. Termination of support in projects
- 18.1. The Social Fund shall be entitled to terminate support in a certain project provided that the following conditions are fulfilled: (a) the approval of the board of directors of the Fund was received in respect whereof; (b) the Fund Director presented to the board of directors the means that were implemented so as to assure that the social interests in the project will be harmed to a minimum and the board of directors held a meeting to discuss this matter and examined the existing alternatives to attain these social objectives after terminating support of the project; and (c) a decision on termination of the support of a certain project that means termination of that project as a social business shall be passed by the board of directors solely by a majority of the members of the board of directors that includes the representative on behalf of the public in the board of directors.  
"Termination of support" in this clause shall mean the sale of a project and/or closing of a project and/or termination of funding and/or termination of a project as a social business project and/or any likewise action.
19. Conflict of interests and restrictions on investments made by the Entrepreneur
- 19.1. The Entrepreneur and any entity under its control and/or management and/or in connection therewith shall not engage directly or indirectly, as employees, advisors, partners, shareholders or other in social businesses

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that comply with the criteria for investment set forth hereinabove or in the establishment, management or support of other entities that engage in investments in such projects in the period ending upon the later of the following two: (1) expiration of the Investment Period or (2) the date in which at least 90% of the Fund capital was invested, unless this action pertains to the continuation of investment management in social businesses in which they invested prior to the date of establishing the Social Fund and on the condition if the Monitoring Committee approved otherwise by delivery of a prior and written notice and subject to the provisions set forth in any law.

19.2. The Social Fund shall not make an investment in any project in which the Entrepreneur, the investors or shareholders in the Social Fund or any entity under their control and/or management and/or in connection therewith made an investment whether before the establishment of the Social Fund and whether thereafter unless the Monitoring Committee expressly approved otherwise.

19.3. In addition, the Entrepreneur, the investors and any entity under their control or management or in connection therewith shall not act in a conflict of interests with the Fund. Without derogating from the provisions and restrictions set forth in any law, any transactions of the Fund in which the Entrepreneur or the investors have personal interest shall be presented for the prior and written approval of the Monitoring Committee. Without derogating from the generality of the aforesaid, each of the following actions shall be deemed as actions in which there is personal interest: (a) the transactions specified in clauses 19.1 and 19.2 hereinabove; (b) a transaction between the Fund and a third party that is a debtor or a debtor of the Entrepreneur or the investors; (c) a transaction between the Fund and any entity that maintains a business relation with the Entrepreneur or the investors; (d) a transaction with an entity in which controlling shareholders or officers thereof are family members of the Entrepreneur or the investors (or controlling shareholders thereof).

20. Liability and indemnification

20.1. The Entrepreneur shall be held liable for any damage, loss or expenses caused to the National Insurance Institute and/or to any third party and/or anyone acting on their behalf in the course of or following performance of the undertakings of the Entrepreneur and/or the Social Fund in accordance with this Agreement and the Entrepreneur shall be liable to compensate the National Insurance Institute for any damage it incurs as a result of any act or omission of the Social Fund and/or as a result of any act or omission of the Entrepreneur and anyone acting on its behalf and/or as a result of its

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negligence and/or its failure and/or the failure of the Social Fund to comply with the provisions set forth in this Agreement and/or the Social Fund Articles, including in respect of third party claims in connection with this Agreement, claims of the Social Fund and/or shareholders and/or employees thereof and/or claims of the Entrepreneur and/or employees thereof and/or anyone acting on their behalf.

- 20.2. The Entrepreneur shall compensate and indemnify the National Insurance Institute, within 7 (seven) days as of the date of his first notice, and shall incur liability for any damage, loss and consequence (including trial costs and attorney fees) caused to the National Insurance Institute and/or anyone acting on its behalf, whether directly or indirectly, as a result of the matters that are under the liability of the Entrepreneur in accordance with clause 20.1 hereinabove.
- 20.3. Clauses 20.1 and 20.2 hereinabove shall also apply to the Social Fund, *mutatis mutandis*, in a manner that the Fund shall be held liable and shall be obligated to indemnify the National Insurance Institute and anyone acting on its behalf as specified hereinabove, without derogating from the liability of the Entrepreneur towards the National Insurance Institute.
- 20.4. To dispel any doubt, the Entrepreneur and the investors and/or any thereof declare that they do not and will not raise any allegations against the National Insurance Institute, the Accountant General and/or the National Economic Council for any loss and/or damage and/or expense relating to or arising out of their involvement (of any kind) in the Social Fund.
21. **Insurance** – without derogating from the liability of the Entrepreneur in accordance with the provisions set forth in this Agreement and/or in accordance with the provisions set forth in any law, the Entrepreneur undertakes that immediately following its winning of the Tender and signing this Agreement and until completion of the provision of the services in accordance with this Agreement, it shall hold all insurance policies that are required for the purpose of upholding its undertakings and covering its liability in accordance with the provisions set forth in any law, this Agreement and the Social Fund Articles. The said insurance policies shall be issued by a licensed and reputable insurance company at the expense of the Entrepreneur, in its name and the name of its subcontractors, to the extent that there are any, and in the name of the National Insurance Institute. The insurance shall include the following:
- 21.1. **Employers' liability insurance:**
- 21.1.1. The Entrepreneur shall insure its liability towards its employees in employers' liability insurance in all territories of the State of Israel and the occupied territories.

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- 21.1.2. Liability limits shall not fall below 5,000,000 U.S. dollars per employee, per event and for an insurance year.
- 21.1.3. The insurance provided under this policy shall be extended to provide insurance coverage for the liability of the insured towards contractors, subcontractors and workers thereof in the event it is considered as their employer.
- 21.1.4. The insurance shall be extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute – in the event it is alleged regarding the occurrence of any accident/occupational disease that they incur employers' liability towards any of the employees on behalf of the Entrepreneur.
- 21.2. **Third party liability insurance:**
  - 21.2.1. The Entrepreneur shall arrange insurance for its liability by law in third party liability insurance for the body and property in respect of its actions in all territories of the State of Israel and the occupied territories.
  - 21.2.2. Liability limit shall not fall below 1,000,000 U.S. dollar per event and per year.
  - 21.2.3. The insurance shall be extended to cover the liability of the insured towards a third party for the actions of contractors and subcontractors and workers in their service.
  - 21.2.4. The policy shall include a cross-liability clause.
  - 21.2.5. The insurance shall be extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute – to the extent that they are held liable for the acts and/or omissions of the Entrepreneur and anyone acting on its behalf.
- 21.3. **Professional liability insurance:**
  - 21.3.1. The Entrepreneur shall arrange insurance in respect of its liability in professional liability insurance.
  - 21.3.2. The policy shall cover any damage arising out of breach of a professional duty of the Entrepreneur and employees thereof and for anyone acting on its behalf and that occurred as a result of a negligent act, including an omission, mistake, misrepresentation or a negligent statement made in good faith in connection with its activities for the establishment and the operation of the Social Fund that shall act for the purpose of promoting and integrating disadvantaged populations in the labor market by social businesses including tracking of businesses, making investments,

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supporting businesses and assuring the implementation of objectives of the Social Fund.

- 21.3.3. Liability limit shall not fall below 1,000,000 U.S. dollars per event and per year.
- 21.3.4. Coverage in accordance with the policy shall be extended to include the following:
  - 21.3.4.1. Employee dishonesty and fraud;
  - 21.3.4.2. Loss of documents, including loss of use and/or delay due to the insurance event;
  - 21.3.4.3. Cross-liability clause; however coverage shall not apply to the claims of the Entrepreneur against the State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute.
  - 21.3.4.4. Extension of the discovery period – at least 6 months.
- 21.3.5. The insurance shall be extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute – to the extent that they are held liable for the acts and/or omissions of the Entrepreneur and anyone acting on its behalf.

21.4. **General** – the following provisions shall be included in all required insurance policies:

- 21.4.1. The additional entities shall be added as insureds in addition to the insured: State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute – subject to extension of indemnification as specified hereinabove.
- 21.4.2. In any event of decrease or termination of the insurance by one of the parties, these shall have no effect without delivering a written notice at least 60 days in advance in registered mail to the Monitoring Committee.
- 21.4.3. The Entrepreneur and the insurer waive any right of subrogation/recourse, claim or participation towards the State of Israel – Ministry of Finance, the National Economic Council, the National Insurance Institute and employees thereof, and provided that the waiver shall not apply to a person who caused willful damage.
- 21.4.4. The Entrepreneur shall be held exclusively liable towards the insurer to pay the insurance premiums for all policies and for upholding all the obligations imposed on the insured in accordance with the terms set forth in the policies.

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- 21.4.5. The deductible amounts specified in each policy shall be solely incurred by the Entrepreneur.
  - 21.4.6. Any clause in the policy that appropriates or diminishes in any manner the liability of the insurer, in the event another insurance is in effect shall not be activated towards the State of Israel, the National Economic Council, the National Insurance Institute, and the insurance shall be deemed as primary insurance that entitles the full rights in accordance with the insurance.
  - 21.4.7. The Entrepreneur undertakes during the entire Term of Agreement with the Client, and as long as its liability is in effect, to hold insurance policies in effect. The Entrepreneur undertakes to extend all insurances during the entire Term of Agreement and furnish an insurance certificate signed by the insurer to the Monitoring Committee two weeks prior to expiration of the insurance period at the latest.
  - 21.4.8. Anything stated in the insurance clauses shall not exempt the Entrepreneur from any liability applicable to it in accordance with the provisions set forth in this Agreement and/or in accordance with the provisions set forth in any law and the said shall not be construed as waiver of the Client on any relief or right granted to it in accordance with the provisions set forth in this Agreement and/or in accordance with the provisions set forth in any law.
  - 21.4.9. The Entrepreneur shall furnish the Insurance Certificate, enclosed as Appendix E of the Agreement, signed by the insurer, within 30 days as of the date of receiving the notice of the Tender Committee about its winning in the Tender.
22. Lack of employer-employee relationship
- 22.1. This Agreement shall not give rise to employer-employee relationship between the Client or anyone acting on its behalf or employees thereof and shall not give rise to employer-employee relationship between the Client or anyone acting on its behalf and the Social Fund or employees or anyone acting on its behalf or the social projects in which the Fund or employees thereof or anyone acting on its behalf shall make investments. This Agreement shall not give rise to relationships of agency between the parties to this Agreement and/or between the National Insurance Institute and the Social Fund and/or anyone acting on its behalf and/or anyone acting on behalf of the Entrepreneur.
  - 22.2. Without derogating from the said, the Entrepreneur declares and undertakes that all persons and/or employees it will employ for the purpose of upholding its obligations in this Agreement, including, however

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not limited to, regular employees of the Entrepreneur and workers employed by way of outsourcing, whether in the Social Fund or outside the Social Fund, shall be deemed solely as employees and/or representatives of the Entrepreneur and the Entrepreneur shall be solely responsible to make payments to these employees, approve their absence from work, receive resignation notices from them etc. and the Entrepreneur shall be solely liable to make all other payments applicable to an employer in accordance with the provisions set forth in any law, including deductions and payments to the income tax authorities, National Insurance Institute etc. In addition, the Entrepreneur declares that it is aware that all the employees of the Entrepreneur shall be accepted for work and employed in accordance with the provisions set forth in any law. The Entrepreneur declares that it is aware of all the provisions of the laws dealing with the provision of the services, safety and the social conditions of the employees the Entrepreneur employs, and it undertakes to uphold all the provisions set forth hereinabove without exception. The provisions set forth in this clause shall also apply to the Social Fund and employees thereof, *mutatis mutandis*.

- 22.3. In the event a competent judicial entity asserts that the relationship between the Entrepreneur and/or employees thereof and/or anyone acting on behalf of the Entrepreneur and the National Insurance Institute constitutes employer-employee relationship and consequently the National Insurance Institute is required and/or compelled and/or obligated to make any payment on the grounds of employer-employee relationship between the National Insurance Institute and the Entrepreneur and/or employees thereof and/or any other person acting on its behalf, the Entrepreneur shall indemnify the National Insurance Institute in the amount of any payment that the National Insurance Institute is required to pay immediately upon its first demand. In addition, the Entrepreneur shall compensate and indemnify the National Insurance Institute for any damage, loss or expense caused to it and/or anyone acting on its behalf, whether directly or indirectly, in respect of any allegation, demand or claim in connection with the existence of employer-employee relationship as said. The provisions set forth in this clause shall also apply to the Social Fund and anyone acting on its behalf, *mutatis mutandis*.

23. Liquidation of the Fund, transfer of the Fund assets

- 23.1. Subject to the provisions set forth by law, including Section 319(1) of the Companies Ordinance and Section 345T(a) of the Companies Law, the general meeting may pass a resolution on voluntary liquidation of the Fund on the condition that the resolution is passed by the required majority by

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law and the Monitoring Committee granted its approval as specified in clause 17 hereinabove, and without derogating from the provisions set forth in clause 13 hereinabove regarding the priority of creditors.

- 23.2. In the event the Social Fund is liquidated by a court order, after repaying all its debts, including return of loans and release of grants (to the extent that guarantees were provided) and after discharging all its obligations towards the National Insurance Institute in the event the conditional grant became a loan as specified in clause 13.1.6 hereinabove, the other assets may be transferred upon obtaining the approval of the court and solely in the following manner: to entities that engage in social investments and/or in social businesses of disadvantaged populations or organizations that act for the purpose of promoting disadvantaged populations. It is clarified that in any event no assets shall be distributed, whether directly or indirectly, to the shareholders or the Entrepreneur. For the purpose of this clause disadvantaged populations – also populations with characteristics of disadvantaged populations that are not included in the definition provided in clause 9 of the Agreement.
- 23.3. In the event the Social Fund is liquidated by a court order, in liquidation or in any other manner, the liquidators may, subject to the approval granted by the Registrar of Endowments and the approval of the general meeting in the required majority by law, distribute in kind any of the assets in the Social Fund as specified in clause 23.2 hereinabove.
- 23.4. The said in clauses 23.1 and 23.2 hereinabove shall not apply to an asset in respect of which it was stated at the time of its transfer to the Social Fund in this Agreement or in the Social Fund Articles, that after the liquidation it would be transferred to the person who transferred it to the Social Fund or to any other person as designated by the transferor of the asset, and subject to the provisions set forth in the Companies Law regarding community interest companies.
- 23.5. To dispel any doubt, shareholders in the Social Fund shall not be entitled to receive any asset of the Social Fund that is left after repaying its debts solely by virtue of their ownership of the shares in the Social Fund, and subject to the provisions set forth in the Companies Law regarding community interest companies.
24. Miscellaneous
- 24.1. This agreement expresses everything agreed between the parties and replaces and revokes any written or oral representation or understanding that existed, if at all, between the parties on the matters mentioned herein prior to the execution hereof.

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- 24.2. Any modification and revision of this Agreement shall be executed in writing and signed by the Social Fund and the Client and shall require the prior and written approval of the Monitoring Committee. An amendment that changes the rights of the Entrepreneur shall also require the approval of the Entrepreneur.
- 24.3. This Agreement shall be governed by the laws of the State of Israel. The competent court in the Jerusalem District shall be vested with sole jurisdiction over any matter relating to or arising out of this Agreement.
- 24.4. Without derogating from the provisions set forth in this Agreement regarding the transfer of certain assets and liabilities, the Entrepreneur and the Social Fund and any thereof may not assign, transfer, endorse or charge its rights or liabilities in accordance with this Agreement without obtaining the prior and written approval of the Client. The Client shall be entitled to transfer, assign or charge its rights or liabilities in accordance with this Agreement provided that the rights of the Entrepreneur and the Social Fund are not adversely affected.
- 24.5. Avoidance of action in circumstances of breach or breaches shall not be deemed as consent or waiver of rights and no similar conclusion shall be drawn with respect to similar circumstances or other circumstances.
- 24.6. Any waiver, extension, assumption or failure to exercise a right in accordance with this Agreement shall be in effect solely if executed in a written and signed instrument and even then shall solely apply to the circumstances specified in the said instrument and shall not derogate from other rights of any party in accordance with this Agreement.
- 24.7. Each party shall incur its expenses in connection with this Agreement.
- 24.8. Any provision of this Agreement that cannot be performed in accordance with the provisions set forth in any law shall be construed in a manner that allows its performance under the restrictions set forth by law.
- 24.9. The provisions set forth in clauses 3 [Objectives], 15 [Reliefs of the National Insurance Institute], 20 [Liability and indemnification], 21 [Insurance], 22 [Lack of employer-employee relationship], 23 [Liquidation of the Fund and transfer of its assets], and 24 [Miscellaneous] of this Agreement shall survive even in the event of termination or expiration of this Agreement for any reason.
- 24.10. By signing this Agreement all parties to this Agreement and the investors affixing their signature in its margins agree to sign any supplementary or other document that is required for the purpose of performing this Agreement.
- 24.11. The addresses of the parties are as specified in the preamble to this Agreement (or any other address as delivered by any of the parties in

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writing to the other parties). Any notice delivered by any party to the other party according to the aforesaid addresses shall be deemed to have reached its recipient: (a) if delivered by registered mail – three business days after its delivery date; (b) if transmitted by fax or by email, one business day after the delivery with a certificate of delivery.

**And in witness hereof the parties are hereby undersigned:**

_____	_____	_____	_____
Director of the Funds	Payroll accountant	Senior Deputy of the	The Entrepreneur
Division in the	of the National	Accountant General	
National Insurance	Insurance Institute		
Institute			

\_\_\_\_\_

**The Social Fund [under establishment] by the Entrepreneur**

**Confirmation of the Social Fund**

The undersigned, \_\_\_\_\_ (CIC), Company No. \_\_\_\_\_, hereby confirms and undertakes on \_\_\_\_\_, after its lawful establishment, that it agrees with all the provisions set forth in the Agreement hereinabove, that it shall uphold all its provisions fully and timely and that the provisions set forth in this Agreement shall bind it for all intents and purposes.

And in witness hereof I am hereby undersigned:

Name of the Social Fund: \_\_\_\_\_

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmation of investors**

The undersigned, \_\_\_\_\_ ID. No./Company No. \_\_\_\_\_, hereby confirms and undertakes that he agrees with all the provisions set forth in the Agreement hereinabove, and that he shall observe and uphold its provisions fully and timely and that the provisions set forth in the Agreement shall bind him for all intents and purposes.

And in witness hereof I am hereby undersigned:

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Economic Council and the Ministry of Finance**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmation of investors**

The undersigned, \_\_\_\_\_ ID. No./Company No. \_\_\_\_\_, hereby confirms and undertakes that he agrees with all the provisions set forth in the Agreement hereinabove, and that he shall observe and uphold its provisions fully and timely and that the provisions set forth in the Agreement shall bind him for all intents and purposes.

And in witness hereof I am hereby undersigned:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmation of investors**

The undersigned, \_\_\_\_\_ ID. No./Company No. \_\_\_\_\_, hereby confirms and undertakes that he agrees with all the provisions set forth in the Agreement hereinabove, and that he shall observe and uphold its provisions fully and timely and that the provisions set forth in the Agreement shall bind him for all intents and purposes.

And in witness hereof I am hereby undersigned:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmation of investors**

The undersigned, \_\_\_\_\_ ID. No./Company No. \_\_\_\_\_, hereby confirms and undertakes that he agrees with all the provisions set forth in the Agreement hereinabove, and that he shall observe and uphold its provisions fully and timely and that the provisions set forth in the Agreement shall bind him for all intents and purposes.

And in witness hereof I am hereby undersigned:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmation of investors**

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The undersigned, \_\_\_\_\_ ID. No./Company No. \_\_\_\_\_, hereby confirms and undertakes that he agrees with all the provisions set forth in the Agreement hereinabove, and that he shall observe and uphold its provisions fully and timely and that the provisions set forth in the Agreement shall bind him for all intents and purposes.

And in witness hereof I am hereby undersigned:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Appendix A – Terms of competence of directors**

**The required terms of competence for members of the board of directors with a social background are:**

1. An academic degree recognized by the Council for Higher Education in one of the therapeutic fields:
    - 1.1. Social work, psychology, behavioral sciences, occupational therapy, long term care.
  2. And, in addition, holding one of the following:
    - 2.1. Experience of at least 5 years according to his education (for holders of degrees in social work/psychology/behavioral sciences/occupational therapy/long term care) and experience of 3 years in the management of a social entity and/or a welfare organization in a scope greater than NIS 10M and/or service in a senior office in public administration.
- Or -
- 2.2. Holding another recognized academic degree and with 3 years of experience in the management of a social entity and/or a welfare organization and/or service as a director in a welfare organization in a scope greater than NIS 10M.

**Required terms of competence for members of the board of directors with an economic background:**

1. Holding an academic degree that is recognized by the Council for Higher Education in one of the following: economics, business administration, accounting, and public administration.
2. In addition, having experience of at least five years in one of the following, or having cumulative experience of at least five years in two or more of the following:
  - 2.1. In a senior position in the business administration of a corporation with a considerable scope of business.
  - 2.2. In a senior public office or a senior office in the public service.
  - 2.3. A senior office related to the principal spheres of activity of the Fund or an office in the board of directors of a corporation with a considerable scope of business.

**One of the directors with the economic background shall also hold accounting and financial proficiency.** A director with an accounting and financial proficiency is a person who, due to his education, experience and skills, has gained high competence and proficiency in business – accounting matters and financial statements in a manner that allows his to gain an in-depth understanding of the financial statements of the Company and to discuss the manner of presentation of the financial data. The board of directors shall evaluate the accounting and financial

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proficiency of the director and his education, experience and knowledge in the following matters shall be taken into account as part of the considerations:

1. Accounting and auditing issues that are typical of the sphere of activity in which the company operates and other companies of similar size and complexity such as the company
2. The duties and responsibilities of the auditor.
3. Preparing and approving financial statements in accordance with the law and in accordance with the Securities Law.

**Appendix B: Objectives for examination of the activities of the Fund**

1. **With respect to social businesses**
  - 1.1. Meeting the minimum set forth in the Agreement with respect to the rate of employees coming from target populations.
  - 1.2. Increase of the rate of employees coming from the target populations beyond the minimum set forth in the Agreement.
  - 1.3. Meeting the minimum set forth in the Agreement with respect to the number of employees coming from the target populations.
  - 1.4. Increase of the number of employees coming from the target populations beyond the minimum set forth in the Agreement.
  - 1.5. Employment of diverse employees coming from the target populations (for example: persons with differing disability rates from mild to severe, former prisoners with professional training and skills and those who were released from a lengthy imprisonment without any employment experience).
  - 1.6. Payment of wages above the minimum wages for employees in the social business.
  - 1.7. Stability in employment:
    - 1.7.1. In the vocational training model: attaining the objective that was presented in the program (with respect to the completion of the vocational track, in addition to normative employment).
    - 1.7.2. In a fixed employment model: attaining the objectives that were presented in the program (with respect to continuation in the track for a period longer than 12 months) and its increase.
2. The success of the projects and their ability to reach economic stability and profitability:
  - 2.1. The rate of businesses that showed net profit out of all the businesses in which the Fund invested. The index shall be relevant as of the second year for each business.
  - 2.2. The total net profit/deficit of all businesses in the Fund with relation to the total volume of the businesses.
3. **With respect to the activities in the Fund** – compliance with the financial plan of the Fund during its years of activity all through the investment and loan period.
  - 3.1. The rate of investment funds that were actually invested out of the Fund capital Earmarked for Investment.
  - 3.2. The rate of return of the investments of the businesses to the Fund, compared with the financial model that was presented in the beginning.
  - 3.3. The rate of return of the investments to the lenders, out of the earmarked amount according to the financial plan of the Fund.
  - 3.4. The business success of the Fund, economic stability and breakeven point.

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**Appendix C – Database and records management of the Fund activities**

1. **The database that the Fund will set up in accordance with the provisions set forth in clause 10 of the Agreement shall include the following data:**
  - 1.1. Specific data with respect to all the employees in the Fund and in the social businesses in which the Fund will invest, including:
    - 1.1.1. Identification details (name, identification number, address, date of birth).
    - 1.1.2. Employment history.
    - 1.1.3. Type of target population (position along the spectrum, if possible).
    - 1.1.4. Vocational training/education.
    - 1.1.5. Description of the position in the business/Fund.
    - 1.1.6. Scope of position – monthly hours, number of hours a day.
    - 1.1.7. Wages, social benefits.
    - 1.1.8. Attendance card (number of absences).
    - 1.1.9. Adjustments that were made for the employee: type of adjustments and their cost.
    - 1.1.10. Did the employee undergo vocational training? Did the employee study a new profession? Specify details about the cost of the training/profession that was acquired.
    - 1.1.11. Promotion at work and to what position.
    - 1.1.12. Date of start and termination of employment.
    - 1.1.13. Reasons for termination of employment.
    - 1.1.14. Completion of track/receiving a certificate.
  - 1.2. Current financial data of the projects:
    - 1.2.1. Audited financial statements for each year of activity.
    - 1.2.2. Trial balances for each year of activity.
    - 1.2.3. Annual payroll report submitted to the income tax authorities (Form 126).
    - 1.2.4. Minutes of the meetings of the board of directors.
2. **Documentation of the activities of the Fund will include the following:**
  - 2.1. General requirements regarding the activities of the Fund:
    - 2.1.1. Raising of funds: source, type, conditions, mutual undertakings of the Fund the investor/lender/contributor.
    - 2.1.2. Establishment procedures – recruit of manpower, terms of employment.
    - 2.1.3. The process of tracking the social businesses: figures about the prospective candidates that were considered, accepted or rejected, documentation of the testing, screening and evaluation processes and decision making processes.

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- 2.1.4. Decisions on investment – type and terms of investment.
- 2.2. With respect to each of the social businesses
  - 2.2.1. The social objective.
  - 2.2.2. A social plan/theory of social change – how the accomplishment of the social objectives is planned.
  - 2.2.3. A business plan/business model including marketing plans.
  - 2.2.4. Description of the entrepreneurs – training and professional experience.
  - 2.2.5. Recruiting the resources that are required for the establishment and current operation.
  - 2.2.6. Description of the executive echelon – training and professional experience.
  - 2.2.7. Description of volunteers – training and professional experience.
  - 2.2.8. Background data about the population that is employed in the business (in addition to the details that are already kept in the database, such as: special characteristics, special challenges in employment, adjustments etc.).
  - 2.2.9. Principal decisions that were made regarding the current operation of the business.
- 2.3. Support and assistance
  - 2.3.1. Professional characteristics of the manpower providing support and assistance.
  - 2.3.2. Duties and responsibilities and description of the position.
  - 2.3.3. Consultation meetings that were held with the Fund employees and the managers of the social businesses.
  - 2.3.4. Consultation meetings that were held with employees in the social businesses.

**Appendix D of the Agreement – Annual activity report of the Fund**

The annual activity report of the Fund as specified in clause 10 of the Agreement shall include the following, *inter alia*:

- The activities of the Fund to attain its objectives in the Fund level, in addition to its specific activities in each and every business.
- Compliance with the objectives of the business plan and the social plan that was submitted with respect to each social business and report on significant changes in the activities of the business for the purpose of promoting the social objective compared with the plan that was approved by the Board/Investments Committee of the Fund; significant changes in the business activities and the financial performance compared with the business plan that was approved by the board of directors/investments committee of the Fund.
- Information about the number of businesses in which the Fund invested according to the investment amount, number of projects in which the Fund invested according to the type of business, characterization of the employed populations, characterization of the employees as specified in the database specified in Appendix C.

**Appendix E of the Agreement – Insurance Certificate**

To:

Tender Committee

Re: **Insurance Certificate**

We hereby confirm that we arranged the following insurances to our insured \_\_\_\_\_ (hereinafter: "**Entrepreneur**") for the Insurance Period as of \_\_\_\_\_ and until \_\_\_\_\_ in connection with its activities for the establishment and the operation of a Social Enterprise Fund:

**A. Employers' liability insurance**

1. Its professional liability towards its employees in all territories of the State of Israel and the occupied territories.
2. Liability limits shall not fall below 5,000,000 U.S. dollars per employee, per event and for an insurance year.
3. The insurance is extended to cover the liability of the insured towards contractors, subcontractors and workers thereof in the event it is considered to be their employer.
4. The insurance is extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council and the National Insurance Institute in the event it is alleged regarding the occurrence of an occupational accident/occupational disease that they are held liable as an employer towards any of the employees of the Entrepreneur.

**B. Third party liability insurance**

1. Its legal liability in third party liability insurance in accordance with the laws of the State of Israel for damage to the body and property in all areas of the State of Israel and the occupied territories.
2. Liability limits shall not fall below 1,000,000 U.S. dollars per event and per insurance year.
3. The policy includes a cross-liability clause.
4. The insurance is extended to cover the liability of the insured towards a third party for the work of contractors, subcontractors and workers thereof.
5. The insurance is extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council, and the National Insurance Institute to the extent that they are held liable for the acts and/or omissions of the Entrepreneur and anyone acting on its behalf.

**C. Professional liability insurance**

1. The policy provides coverage for any damage caused due to breach of a professional liability of the Entrepreneur, its workers and anyone acting on its behalf and that occurred as a result of a negligent act, including an omission,

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mistake, error, misrepresentation and negligent statement that were made in good faith in connection with its activities for the establishment and the operation of a social enterprise fund that shall act for the purpose of promoting and integrating disadvantaged populations in the labor market by social businesses including the tracking of businesses, making investments, supporting businesses and assuring the accomplishment of the objectives of the Social Fund.

2. Liability limit per event and per period (a year) shall not fall below 1,000,000 U.S. dollars;
3. Coverage in accordance with the policy includes the following extensions:
  - Employee fraud and dishonesty;
  - Loss of documents, including loss of use and/or delay due to an insurance event;
  - Cross-liability clause; however coverage shall not apply to the claims of the Entrepreneur against the State of Israel – the Ministry of Finance, the National Economic Council and the National Insurance Institute.
  - Extension of the discovery period – for 6 months as a minimum.
4. The insurance is extended to indemnify the State of Israel – Ministry of Finance, the National Economic Council, the National Insurance Institute to the extent that they are held liable for the acts and/or omissions of the Entrepreneur and anyone acting on its behalf.

**D. General**

The following provisions were incorporated in the insurance policies:

1. The following were added as additional insureds to the name of the insured: **State of Israel – Ministry of Finance**, the **National Economic Council** and the **National Insurance Institute** subject to the indemnification extensions as specified hereinabove.
2. In any event the insurance coverage is diminished or terminated by one of the parties, these actions shall have no effect unless we delivered a 60 days' prior and written notice by a registered letter to the Monitoring Committee of the Fund.
3. We waive any right of subrogation, claim, participation or recourse towards the State of Israel – Ministry of Finance, the National Economic Council, the National Insurance Institute and employees thereof, provided that the waiver does not apply in favor of a person who caused willful damage.
4. The Entrepreneur shall be solely liable towards us to pay the insurance premiums for all policies and for upholding all the obligations imposed on the insured in accordance with the terms set forth in the policies.
5. The deductible amounts specified in each policy shall be solely incurred by the Entrepreneur.

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6. Any clause in the policy that appropriates or diminishes in any manner the liability of the insurer, in the event another insurance is in effect shall not be activated towards the State of Israel, the National Economic Council, the National Insurance Institute, and the insurance shall be deemed as primary insurance that entitles the full rights in accordance with the insurance.

**Subject to the provisions and exclusions set forth in the original policies, to the extent that they were not modified expressly in accordance with the provisions set forth in this certificate.**

Respectfully yours,

_____	_____	_____	_____
Date	Name of Insurer	Signature of the authorized signatory on behalf of the Insurer	Stamp of the Insurer