
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 9, 2017 (November 7, 2017)

Ormat Technologies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

001-32347
(Commission File Number)

Delaware
(State of Incorporation)

6225 Neil Road, Reno, Nevada
(Address of Principal Executive Offices)

No. 88-0326081
(I.R.S. Employer Identification No.)

89511-1136
(Zip Code)

(775) 356-9029
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
(see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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INFORMATION TO BE INCLUDED IN THE REPORT

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On November 7, 2017, the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Ormat Technologies, Inc. (the “Company”) and the Board approved certain changes to the compensation of the Company’s chief executive officer (“CEO”), chief financial officer (“CFO”) and other named executive officers (collectively, the “NEOs”), effective immediately. The changes impact the cash and / or equity components of each NEO’s base salary and / or incentive compensation payable pursuant to the Company’s Amended and Restated 2012 Incentive Compensation Plan, effective as of and approved by the Company’s stockholders on May 8, 2012 (the “Plan”), in each case as further described below.

The Compensation Committee and the Board approved these changes, following consultation and discussion with executive compensation consultants and review of a commissioned benchmarking report as well as publicly available information regarding peer comparison data, in each case, for mid-cap companies and energy sector companies, in order to ensure that the Company’s senior management team is incentivized to continue to deliver strong performance, strengthen alignment of the Company’s senior management team with the recently revised Board and the Company’s stockholders, strike the appropriate balance between short, medium and long-term goals, ensure that the compensation arrangements reflect evolving market trends and investor concerns, and update the performance hurdles to ensure alignment with evolving corporate targets.

The Committee and the Board, which previously approved the grant by the Company of solely stock options and stock appreciation rights (“SARs”) to all NEOs pursuant to the Plan as the equity component of the NEOs’ annual incentive compensation, replaced a portion of such stock options and SARs with restricted stock units (“RSUs”) so that from November 7, 2017, the Company will grant to its NEOs and certain other executive officers equity compensation with a target value mix of two-thirds of SARs and one-third of RSUs. The RSUs and SARs are time-vested and will vest according to the following schedules: RSUs and SARs granted to the CEO will vest 22%, 22%, 28% and 28%, respectively, on the one, two, three and four year anniversaries of the date of grant, and RSUs granted to the other NEOs, including the CFO, will vest 25% on each of the one, two, three and four year anniversaries of the date of grant. Each RSU represents the right to receive one share of the Company’s Common Stock upon vesting and is valued on the date of grant based on the closing price of the Company’s Common Stock on the next business day following such date of grant. SARs will continue to vest according to the following schedule: SARs granted to all NEOs, except the CEO, will vest 25% on each of the one, two, three and four year anniversaries of the date of grant and are valued based on the closing price of the Company’s Common Stock on the next business day following the date of grant. All SARs will be paid in shares of the Company’s Common Stock with a value equal to the amount by which the market value of all shares of the Company’s Common Stock in respect of which the SAR is exercised exceeds the grant price of such SAR. RSUs and SARs granted to the CEO and CFO are subject to clawback under certain circumstances.

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The Form of Restricted Stock Unit Agreement for restricted stock units awarded to directors and certain executive officers from and after November 7, 2017 is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

CEO

Following approval by the Committee and the Board as described above, the CEO, Mr. Isaac Angel, will receive cash compensation consisting of an annual base salary of approximately \$609,000, representing an increase in annual base salary of approximately 31%, and an annual cash bonus opportunity of up to \$900,000. Mr. Angel's annual cash bonus will be awarded 75% based on achievement of specific performance metrics that measure the financial performance of the Company and are set by the Committee at the beginning of each fiscal year and 25% at the discretion of the Committee based on the achievement of other goals, such as diversity, social and environmental responsibility and merger and acquisition activities. Previously, Mr. Angel received cash compensation consisting of an annual base salary of \$464,840 and an annual cash bonus opportunity of 0.75% of the Company's annual consolidated net income up to and including \$50,000,000 plus 1.00% of the portion of the Company's annual consolidated net income above \$50,000,000, not to exceed \$750,000. On November 7, 2017, Mr. Angel was granted equity incentive compensation with an aggregate value of \$6,445,000 that will vest over time as described above and that has a target value mix of two-thirds of SARs and one-third of RSUs, with the actual number of SARs and RSUs granted to Mr. Angel based on the closing price of the Company's Common Stock on the next business day following the date of grant. The Company and Mr. Angel are finalizing a supplemental agreement reflecting Mr. Angel's compensation package approved by the Committee and the Board on November 7, 2017, which will be promptly filed with the Securities and Exchange Commission ("SEC") once finalized.

CFO

Following approval by the Committee and the Board as described above, the CFO, Mr. Doron Blachar, will receive cash compensation consisting of an annual base salary of approximately \$381,250, representing an increase in annual base salary of approximately 4%, and an annual cash bonus opportunity of up to \$297,000. Mr. Blachar's annual cash bonus will be awarded 75% based on achievement of specific performance metrics that measure the financial performance of the Company and are set by the Committee at the beginning of each fiscal year and 25% at the discretion of the Committee based on the achievement of other goals, such as diversity, social and environmental responsibility and merger and acquisition activities. Previously, Mr. Blachar received cash compensation consisting of an annual base salary of \$366,587 and an annual cash bonus awarded pursuant to the Company's annual management incentive plan, subject to the approval of the Board. On November 7, 2017, Mr. Blachar was granted equity incentive compensation with an aggregate value of \$1,808,000 that will vest over time as described above and that has a target value mix of two-thirds of SARs and one-third of RSUs, with the actual number of SARs and RSUs granted to Mr. Blachar based on the closing price of the Company's Common Stock on the next business day following the date of grant. The Company and Mr. Blachar are finalizing a supplemental agreement reflecting Mr. Blachar's compensation package approved by the Committee and the Board on November 7, 2017, which will be promptly filed with the SEC once finalized.

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Other NEOs

On November 7, 2017 following approval by the Committee and the Board, Mr. Zvi Krieger, the Company's Executive Vice President of the Electricity Segment, and Mr. Bob Sullivan, the Company's Executive Vice President of Business Development, Sales and Marketing, both NEOs, were each granted equity incentive compensation with an aggregate value of \$250,000 that will vest over time as described above and that has a target value mix of two-thirds of SARs and one-third of RSUs, with the actual number of SARs and RSUs granted to each of Mr. Krieger and Mr. Sullivan based on the closing price of the Company's Common Stock on the next business day following the date of grant.

Item 8.01 Other Events.

In connection with the Committee's and Board's review of the Company's compensation policies with respect to the NEOs, including the CEO and CFO, on November 7, 2017, the Committee and the Board approved certain changes to director compensation, effective immediately. These changes included the introduction of RSUs as a component of the equity compensation paid to directors and other changes to bring director compensation in line with the Company's peer group and appropriately incentivize Board performance following the Committee's and Board's review of peer and other benchmarking data.

From November 7, 2017, all directors will receive annual cash compensation consisting of a \$60,000 annual cash retainer plus a per meeting cash fee consistent with prior practice, capped at \$35,000 in the aggregate, regardless of the number of meetings such director attends. In addition, the Chairs of the Audit Committee, Compensation Committee and Investment Committee of the Board will be entitled to a supplemental annual cash retainer of \$15,000, \$10,000 and \$10,000, respectively, none of which will be subject to the \$35,000 cap. The non-executive Chairman of the Board will receive a supplemental annual retainer with an aggregate value of \$100,000, consisting of a \$40,000 cash retainer and an equity award with a value of \$60,000, as further described below.

The Committee and the Board, which previously approved the grant by the Company of solely stock options to the Company's directors, replaced such stock options with RSUs and SARs so that from November 7, 2017, the Company will grant to its directors equity compensation with a target value mix of 80% RSUs and 20% SARs.

As further described below and consistent with the Company's prior director compensation practices, three of the Company's nine directors and the Chairman of the Board were recently granted stock options upon joining the Board in August 2017. Accordingly, the Committee and the Board determined that participation by these four directors in the equity component of the recently approved director compensation package would be deferred until November 2018 in order to avoid such directors receiving multiple equity grants during their first 12 months of service.

On November 7, 2017 following approval by the Committee and the Board, five of our nine directors, not including the Chairman of the Board, were granted annual equity incentive compensation with an aggregate value of \$120,000 and a target value mix of 80% RSUs and 20% SARs, with the actual number of RSUs and SARs based on the closing price of the Company's Common Stock on the next business day following the date of grant. The Chairman of the Board was granted the \$60,000 equity component of his supplemental annual retainer with a target value mix of 80% RSUs and 20% SARs, with the actual number of RSUs and SARs based on the closing price of the Company's Common Stock on the next business day following the date of grant. The remaining three of our nine directors and the Chairman of the Board, that were recently granted stock options in August 2017 when they became directors, will be granted annual equity incentive compensation with an aggregate value of \$120,000 and a target value mix of 80% RSUs and 20% SARs, with the actual number of RSUs and SARs based on the closing price of the Company's Common Stock on the next business day following the date of grant, beginning in November 2018 (at the same time as all other Board directors).

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In the event of any proposed extraordinary transaction involving the Company that, in the discretion of the Board, requires the appointment of a special committee of the Board, the compensation of all directors serving on such special committee for such service shall be determined by the Committee at the time such special committee is appointed and empowered. Any compensation payable to such directors for such service will not be subject to the \$35,000 cap on per meeting cash fees payable to the directors.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 10.1 [Form of Restricted Stock Unit Agreement under the Company's Amended and Restated 2012 Incentive Compensation Plan for restricted stock units awarded to directors and certain executive officers from and after November 7, 2017](#)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ORMAT TECHNOLOGIES, INC.

By /s/ Isaac Angel
Name: Isaac Angel
Title: Chief Executive Officer

Date: November 9, 2017

PERSONAL AND CONFIDENTIAL

Exhibit 10.1

FORM OF RESTRICTED STOCK UNIT AGREEMENT
FOR TIME-BASED RSUs

Date: [Insert Date]

Company: Ormat Technologies, Inc.

Date of Grant: [Insert Date]

Total No. of Restricted Stock Units: [Insert Total Number of RSUs]

Vesting Schedule: [Sample]

[Insert Number of RSUs] will vest on [first anniversary of grant date]

[Insert Number of RSUs] will vest on [second anniversary of grant date]

[Insert Number of RSUs] will vest on [third anniversary of grant date]

[Insert Number of RSUs] will vest on [fourth anniversary of grant date]

(Name and Address)

Dear (Name):

We are pleased to inform you that, as an eligible employee of Ormat Technologies, Inc. (herein called the "Company") or one of its subsidiaries, you have been granted one or more restricted stock units (herein called "RSUs") under the Company's 2012 Incentive Compensation Plan (as amended and restated) and the Restricted Stock Unit Terms and Conditions (herein called the "Plan" and the "Terms and Conditions").

By your signature, you agree that the RSUs are granted under and governed by the Plan and the Terms and Conditions, and acknowledge receipt of these documents, as well as the Prospectus for the Plan.

As set forth in Section 1 of the Terms and Conditions, a signed copy of this agreement must be received by the Corporate Secretary of the Company, c/o Ormat Systems Ltd., Industrial Area, P.O. Box 68, Yavne 8100 Israel before 5:00 P.M. Eastern time on the 3rd business day after the date of grant noted above. If the 3rd business day is a holiday in the United States or in Israel, such signed copy of this agreement will be considered timely received if it is received by 5:00 P.M. Eastern Time on the following business day in the United States and Israel after such holiday. Failure to return a signed copy of this agreement will deem the grant of the RSUs null and void.

Very truly yours,
ORMAT TECHNOLOGIES, INC.

Date: _____

Signature of Awardee

RESTRICTED STOCK UNITS
TERMS AND CONDITIONS

As a participant in the Ormat Technologies, Inc. 2012 Incentive Compensation Plan (as amended and restated, the "Plan"), you have been granted one or more Restricted Stock Units (herein called "RSUs") under the Plan. RSUs give you the opportunity to receive at a specified future date, payment of an amount equal to all or a portion of the Fair Market Value of a specified number of shares of Common Stock after the Vesting Date(s) specified in Section 2 below (herein called the letter agreement) multiplied by the applicable percentage of RSUs specified in Section 2 below, subject to your acceptance of the RSUs as provided in Section 1 below and the other terms and conditions described below.

The date of the grant of the RSUs (herein called the date of grant) is set forth in the letter agreement.

Note that all capitalized terms in the letter agreement and these Terms and Conditions are defined in the Plan, except as indicated in such agreement and herein. All terms of the Plan are hereby incorporated into these Terms and Conditions.

1. Acceptance of RSUs: The RSUs will not be deemed granted unless you sign your name in the space provided on the enclosed copies of the letter agreement and cause one signed copy to be received by the Corporate Secretary of the Company, c/o Ormat Systems Ltd., Industrial Area, P.O. Box 68, Yavne 8100 Israel (or to such other person and place as the Company may specify in writing), before 5:00 P.M. Eastern Time on the 3rd day after the date of grant. If the 3rd day is a holiday in the United States or in Israel, such signed copy of the letter agreement will be considered timely received if it is received by 5:00 P.M. Eastern Time on the following business day in the United States and Israel after such holiday. If the Corporate Secretary does not receive your properly executed copy of the letter agreement before such time, then, anything in the letter agreement and these Terms and Conditions to the contrary notwithstanding, the grant of the RSUs will be deemed null and void ab initio (as of the date of the grant). (Your signing and delivering a copy of the letter agreement will evidence your acceptance of the RSUs upon these Terms and Conditions.)
2. Vesting:
 - (a) Subject to the provisions of this Section 2 and of Section 5, 6 and 7, the RSUs shall become vested in accordance with the following vesting schedule:
 - (i) ____% of the RSUs shall vest on the _____ anniversary of the date of grant;
 - (ii) ____% of the RSUs shall vest on the _____ anniversary of the date of grant;
 - (iii) ____% of the RSUs shall vest on the _____ anniversary of the date of grant; and
 - (iv) the remaining __% of the RSUs shall vest on the _____ anniversary of the date of grant.

No fractional shares shall be delivered and fractional shares shall be disregarded. All vesting increments shall be rounded to the nearest whole number of RSUs.

- (b) The RSUs shall not become vested unless you shall have remained continuously in the employ or service of the Company or of one or more of its Subsidiaries on the applicable Vesting Date, except as provided in Section 5, 6 and 7. Any RSUs that are not vested will terminate on the date of your Separation from Service.
- 3. Issuance of Shares: RSUs will be credited to an account to be maintained on your behalf. The Fair Market Value of any vested RSUs measured as of the Vesting Date will be paid within thirty (30) days of the date such Vesting Date. Payment of any RSUs shall be made by the issuance of shares of Common Stock.
- 4. Transferability of RSUs: The RSUs shall not be transferable by you otherwise than (i) by will or (ii) by the laws of descent and distribution. Any transferred RSU shall continue to be subject to these Terms and Conditions.
- 5. Death: Section 2 to the contrary notwithstanding, if you incur a Separation from Service because you die, you will become fully vested in any unvested RSUs awarded under the letter of grant to which these Terms and Conditions are attached.
- 6. Other Separation from Service:
 - (a) Except as otherwise clearly specified in a duly executed, written, valid and binding agreement between you and the Company, if you incur a Separation from Service before the end of the applicable Vesting Date for any reason other than death, you will immediately forfeit any unvested RSUs.
 - (b) For the purposes of the letter agreement, your employment by a Subsidiary of the Company shall be considered terminated on the date that the company by which you are employed is no longer a Subsidiary of the Company.
- 7. Change of Control: Section 2 to the contrary notwithstanding, upon a Change of Control, you will become fully vested in any unvested RSUs awarded under the letter of grant to which these Terms and Conditions are attached.
- 8. Dividend Equivalents: Except as otherwise provided in Section 11, no dividend equivalents shall be payable or accumulated in respect of RSUs.
- 9. Clawbacks: The RSUs are subject to recoupment in accordance with Section 15(i) of the Plan and any other recoupment or clawback policy adopted by the Company.
- 10. Listing Requirements: The Company shall not be obligated to deliver any certificates representing any shares until all applicable requirements imposed by federal and state securities laws and by any stock exchanges upon which the shares may be listed have been fully met.

11. Transfer of Employment: Leave of Absence: A transfer of your employment from the Company to a Subsidiary or vice versa, or from one Subsidiary to another, without an intervening period, shall not be deemed a Separation from Service. If you are granted an authorized leave of absence, you shall be deemed to have remained in the employ of the Company or a Subsidiary during such leave of absence.
12. Adjustments in RSUs:
- (a) The existence of the letter agreement and the RSUs shall not affect or restrict in any way the right or power of the Board of Directors or the stockholders of the Company to make or authorize any reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the shares or the rights thereof, the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business.
 - (b) In the event of any change in or affecting the outstanding shares by reason of a stock dividend or split, merger or consolidation (whether or not the Company is the surviving corporation), recapitalization, spin-off, reorganization, combination or exchange of shares or other similar corporate changes or an extraordinary dividend in cash, securities or other property, the Board of Directors shall make such amendments to the Plan, the letter agreement, these Terms and Conditions and the RSUs and make such adjustments and take actions thereunder as it deems appropriate, in its sole discretion, under the circumstances. Such amendments, adjustments and actions may include, but are not limited to, (i) changes in the number and kind of shares underlying the RSUs set forth in the letter agreement, and (ii) accelerating the vesting of the RSUs. The determination by the Board as to the terms of any of the foregoing adjustments shall be conclusive and binding.
13. Stockholder Rights: Neither you nor any other person shall have any rights of a stockholder as to shares underlying any RSUs unless and until (a) the Company pays or settles any vested RSUs in shares of Common Stock, and (b) such Common Stock shall have been recorded by the Company's registrar, American Stock Transfer and Trust Company (herein called "AST"), as having been issued or transferred, as the case may be.
14. Delivery of Shares: To the extent that any vested RSUs are paid or settled in shares of Common Stock:
- (a) Certificates for any shares issuable upon exercise will be issued and delivered as soon as practicable, subject to Section 7.
 - (b) If a Registration Statement on Form S-8 is in effect with respect to the RSUs, you can arrange with your stockbroker to have the broker exercise your right on your behalf and have the shares withdrawn from AST electronically by DWAC for deposit in your brokerage account.

15. Tax Matters:

- (a) You should consult your tax advisor about tax consequences of the RSUs.
- (b) Tax Withholding for U.S. Employees: If and to the extent Federal income tax withholding (and state and local income tax withholding, if applicable) may be required by the Company in respect of taxes on income you realize upon or after payment or settlement of any portion of the RSUs, or upon disposition of any shares of Common Stock acquired through the payment or settlement of any RSUs, the Company may withhold such required amounts from your future paychecks or may require that you deliver to the Company the amounts to be withheld. You may also pay the minimum required Federal income tax withholding (and state and local income tax withholding, if applicable) by electing either to have the Company withhold a portion of the shares of Common Stock otherwise issuable upon payment or settlement of the RSUs, or to deliver other shares of Common Stock you own, in either case having a fair market value (on the date that the withholding amount is to be determined) of the minimum amount required to be withheld, provided that the election will be irrevocable and will be subject to such rules as the Committee may adopt. You may also arrange to have any tax (or taxes) paid directly to the Company on your behalf from the proceeds of the sale of Common Stock to the extent provided in the notice of exercise referred to in Section 10.
- (c) Tax Withholding For Israeli Employees - The provisions specified in Annex A attached hereto shall apply only to Eligible Individuals who are residents of the state of Israel or those who are deemed to be residents of the state of Israel for the payment of tax, from the date of the grant and until the last Exercise date.
- (d) Section 409A. The grant, vesting, payment and settlement of the RSUs are intended to be exempt from the requirements of Code Section 409A. Notwithstanding any other provision of the letter agreement, these Terms and Conditions or the Plan to the contrary, the Company makes no representation regarding the status of any RSUs under Code Section 409A.

16. Employment or Other Service: Nothing contained herein shall confer any right to continue in the employ or other service of the Company or a Subsidiary or limit in any way the right of the Company or a Subsidiary to change your compensation or other benefits or to terminate your employment or other service with or without cause.

17. Short-Swing Trading: If you are a director or executive officer of the Company or one of its subsidiaries who is granted RSUs, you must report such grant, the vesting or settlement of such RSUs and any sale of Common Stock received upon settlement of any RSUs, on a Form 4 (Statement of Changes of Beneficial Ownership of Securities) within two business days of such reportable event pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended. The Corporate Secretary of the Company will provide you with a form of the Form 4 upon request, but such filing is the personal responsibility of the holder of RSUs. All holders of RSUs should consult the Company's Insider Trading Policy before arranging any trade in any of the Company's securities, including Common Stock.

18. Time of Essence: Time is of the essence with respect to delivering notices and stock certificates hereunder. There is no grace period.
19. Successors: These Terms and Conditions are binding on your heirs and personal representatives and on the successors of the Company.
20. Counterparts: The letter agreement may be executed in duplicate counterparts, each of which shall be deemed to be an original.

Annex A

ORMAT TECHNOLOGIES, INC.

AMENDED AND RESTATED 2012 INCENTIVE COMPENSATION PLAN

TAX WITHHOLDING FOR ISRAELI EMPLOYEES

(e) Tax Withholding For Israeli Employees - The provisions specified hereunder shall apply only to Eligible Individuals who are residents of the state of Israel or those who are deemed to be residents of the state of Israel for the payment of tax (such persons, “**Israeli Participants**”), from the date of the grant and until the last Exercise date.

(i) For the purposes of this Annex A, the following terms shall have the following meanings:

- “Affiliate” means any “employing company” within the meaning of Section 102(a) of the Ordinance.
- “Approved 102” means an Award granted pursuant to Section 102(b) of the Ordinance and/or additional rights issued with respect thereto, including, but not limited to, bonus shares, and held in trust by a Trustee for the benefit of the Employee.
- “Capital Gain (CG)” means an Approved 102 elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(3) of the Ordinance.
- “Controlling Shareholder” shall have the meaning ascribed to it in Section 32(9) of the Ordinance.
- “Employee” means a person who is employed by the Company or an Affiliate, including an individual who is serving as a director or an office holder, but excluding any Controlling Shareholder, all as determined in Section 102 of the Ordinance.
- “ITA” means the Israeli Tax Authority.
- “Ordinary Income (OI-)” means an Approved 102 elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1) of the Ordinance.
- “Ordinance” means the Israeli Income Tax Ordinance [New Version] 1961 as now in effect or as hereafter amended.
- “Rules” means the Israeli Income Tax Rules (Tax Relief in Issuance of Shares to Employees) 2003.

- “Section 102” means Section 102 of the Ordinance and any regulations, Rules, orders or procedures promulgated thereunder as now in effect or as hereafter amended.
- “Trustee” means any individual or trust company appointed by the Company to serve as a trustee and approved by the ITA, all in accordance with the provisions of Section 102(a) of the Ordinance.
- “Unapproved 102 ” means an Award granted pursuant to Section 102(c) of the Ordinance and not held in trust by a Trustee.

(ii) Any tax liability, of any kind due to the Plan, or resulting from it (including, without derogating from the aforementioned, income tax, capital gains tax, social security and health tax), and any other obligatory payment applicable as a result of the grant of the right, its exercise and your receipt of Common Stock as a result of such exercise (“the Shares”), will be fully borne by the Employee.

(iii) The Company recommends that you consult with professional advisors and that you consider the tax implications, including the result of the application of Section 102, of the grant of the right, of its exercise and of the receipt of any Shares.

(iv) With respect to any Approved 102, subject to the provisions of Section 102, an Employee shall not sell, release, assign, transfer or give as collateral or any right with respect to them given to any third party whatsoever (collectively “Transfer”) from trust any Share received upon the exercise of an Approved 102 and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the minimal restriction period (as defined below) required under Section 102. Notwithstanding the above, if any such sale or other Transfer occurs during the minimal restriction period, the sanctions under Section 102 shall apply to and shall be borne solely by such Employee.

(v) In accordance with the provisions of Section 102, the Trustee will hold the right in trust for the benefit of the Employee until the right is exercised, if at all (or until the termination of the exercise period, to the extent the right remains unexercised, as applicable). Consequently, the Trustee will hold the right and/or the Shares (including any bonus shares or shares derived from issuance of rights exercised during the right’s exercise period) in trust for the benefit of the Employee for at least (i) in the case of a CG, 24 months from the date on which the right are granted and deposited with the Trustee; or (ii) in the case of an OI-, 12 months from the date on which the Right are granted and deposited with the Trustee (the “minimal restriction period”), and will not transfer the right and the Shares to the Employee prior to the full payment of the applicable taxes. Transfer of the Shares from the Trustee to the Employee or their sale by the Trustee prior to the termination of the minimal restriction period, might involve tax implications (which the Employee should consider prior to taking any such action).

(vi) The Company has contracted with the Trustee with respect to the right and the Shares (the “trust agreement”) and the provisions of the trust agreement will apply and obligate any Employee who receives rights under the Plan. The main provisions of the trust agreement are: (i) the Company will not allot rights to its Employees but will allot them to the Trustee who will hold them for at least the minimal restriction period; (ii) during the minimal restriction period, the rights and the Shares will not be transferable; and (iii) after termination of the minimal restriction period, the Employee will be entitled to demand that the Trustee transfer the Shares to the Employee’s name, provided either: (A) the tax applicable to the Employee under Section 102 has been paid and the Trustee holds a confirmation for the payment issued by the ITA; or (B) the Trustee has transferred to the ITA the appropriate percentage amount (determined in accordance with the applicable tax rate) of the consideration received by it for the sale of the Shares, on account of the applicable tax. The Plan and the trust agreement will apply to any bonus shares and/or rights granted to the Employee, mutatis mutandis.

(vii) The Company has undertaken not to allot right to Employees under Section 102, unless it received a confirmation from the Employee that the Employee undertakes vis-a-vis the ITA not to exercise the right prior to the termination of the minimal restriction period.

(viii) The transfer of the Shares from the Trustee to the Employee or their sale by the Trustee for the benefit of the Employee, all in accordance with the Employee’s order, is possible and may be done in accordance and under the rules, conditions and arrangements to be agreed between the Company and the Trustee and in accordance and subject to applicable law and arrangements (if existing) with the tax authorities.

(ix) The provisions of Section 102 will apply on the right to be granted to the Employees, (i.e., allotment via Trustee), in the capital lane. Any tax debit to the Employee will occur upon the earlier of the time the Shares will be transferred from the Trustee to the Employee or the time of the sale of the securities by the Trustee, without any debit occurring at the time the right will be allotted.

(x) In accordance with Section 12(c)(ix) above, and since the Company has chosen the capital gains lane, as specified in Section 102, any income from the realization of the benefit by the Employee will be deemed as a capital gain and will be taxed at the applicable rate in accordance with Section 102, excluding the portion of the income equaling the difference between the exercise price and the average price of the Common Stock during the 30 trading days prior to the allotment, which will be deemed as working income and will be subject to income tax, according to the rate applicable to the Employee, and social security tax and health tax.

(xi) With regards to Approved 102, the provisions of the Plan shall be subject to the provisions of Section 102 and the Tax Assessing Officer’s permit and/or any pre-rulings obtained by the ITA, and the said provisions, permit and/or pre-rulings shall be deemed an integral part of the Plan. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the Plan, shall be considered binding upon the Company and the Employees.

(xii) Any tax consequences arising from the grant or exercise of any Award, from the grant of right and/or the Shares, from the payment for shares covered thereby or from any other event or act (of the Company, and the Trustee or the Employee), hereunder, shall be borne solely by the Employee. The Company and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Employee shall agree to indemnify the Company and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Employee.

(xiii) The Company and/or, when applicable, the Trustee shall not be required to release any share certificate to an Employee until all required payments (including any tax liability) have been fully made.

(xiv) With respect to an Unapproved 102, if the Employee ceases to be employed by the Company, the Employee shall extend to the Company a security or guarantee for the payment of tax due at the time of sale of Shares, all in accordance with the provisions of Section 102.