

No. 16598

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**UNITED STATES OF AMERICA  
and  
ISRAEL**

**Agreement establishing the Israel-United States Binational Industrial Research and Development Foundation (with appendix, attached regulations and rules of procedure and exchange of letters dated 18 May 1977). Signed at Jerusalem on 3 March 1976**

*Authentic text: English.*

*Registered by the United States of America on 27 April 1978.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
ISRAËL**

**Accord établissant la Israel-United States Binational Industrial Research and Development Foundation (avec appendice, dispositions réglementaires et règlement intérieur annexés et échange de lettres en date du 18 mai 1977). Signé à Jérusalem le 3 mars 1976**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 27 avril 1978.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF ISRAEL ESTABLISHING THE ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION

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The Government of the United States of America and the Government of Israel,  
Recalling the close ties in scientific and technological cooperation which have developed over many years between the two countries;

Recognizing the importance of peaceful industrial research and development for strong and vigorous economies in the two countries;

Convinced that applied scientific cooperation between the two countries in industrial research and development will strengthen the bonds of friendship and understanding between their peoples and advance the state of industrial research and development to the benefit of both countries, and

Convinced of the desirability of establishing a binational mechanism to continue and intensify cooperation between the two countries in industrial research and development,

Have agreed as follows:

*Article I. ESTABLISHMENT*

A. There is hereby established the Israel-United States Binational Industrial Research and Development Foundation, hereinafter called the "Foundation".

B. The principal office of the foundation shall be located in Israel.

*Article II. OBJECTIVE*

The objective of the Foundation shall be to promote and support joint, non-defense industrial research and development activities of mutual benefit to the United States and Israel.

*Article III. SCOPE OF COOPERATION*

The scope of industrial research and development activities which the Foundation may promote and support shall include all applied science activities in the process through which an innovation becomes a commercial product, including, but not limited to, product engineering and manufacturing start-up.

*Article IV. POWERS OF THE FOUNDATION*

The Foundation shall be a legal entity and shall have all powers necessary to carry out its objective, including, but not limited to, the power to:

- (1) Promote and support, by funding or otherwise, joint industrial research and development projects, hereinafter called "projects";

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<sup>1</sup> Came into force on 18 May 1977, the date of the exchange of letters by which both Parties confirmed the fulfillment of their obligations, in accordance with article XI (A).

- (2) Make loans and grants;
- (3) Enter into contracts;
- (4) Provide services;
- (5) Acquire, hold, administer and dispose of real and personal property;
- (6) Receive, hold, and disburse funds and open bank accounts;
- (7) Accept contributions of property, funds, and services; and
- (8) Employ personnel.

#### *Article V.* BOARD OF GOVERNORS

A. A Board of Governors, hereinafter called the “Board”, shall be the governing body of the Foundation and shall be responsible for determining the Foundation’s program, including the fields of cooperative research which will be supported by the Foundation, and the Foundation’s financial and managerial policies. Subject to the provisions of this Agreement, the Board shall have authority to:

- (1) Adopt bylaws and rules of procedures;
- (2) Establish regulations defining the policies, organization and procedures of the Foundation;
- (3) Appoint an Executive Director;
- (4) Approve the annual budget and research program of the Foundation indicating, *inter alia*, the research and development fields to which priority is to be given;
- (5) Accept contributions of property, funds and services;
- (6) Establish the principal office of the Foundation;
- (7) Approve project and other expenditures by the Foundation and agreements pertaining to projects to be funded by the Foundation; and
- (8) Exercise and delegate any other power of the Foundation not otherwise assigned by this Agreement.

B. The Board shall consist of six members, three representatives of the United States and three representatives of Israel. Except as may be otherwise designated by the respective Governments, the three representatives of the United States shall be the Assistant Secretary for Science and Technology, Department of Commerce, the Assistant Secretary for Oceans and International Environmental and Scientific Affairs, Department of State, and the Assistant Secretary for International Affairs, Department of the Treasury, or their designees; and the three representatives of Israel shall be the Director General of the Ministry of Finance, the Director General of the Ministry of Commerce and Industry, and the Chief Scientist of the Ministry of Commerce and Industry, or their designees.

C. The Chairman of the Board shall be elected for a term of one year by the Board from among the Board members. The chairmanship shall alternate each year between representatives of the United States and Israel.

D. The Board shall normally meet once each year, but meetings of the Board may be held at such times and places as the Board may from time to time determine.

E. The Board shall act by vote of at least two thirds of its entire membership. Members of the Board may vote by proxy.

F. Members of the Board shall serve without compensation from the Foundation, but the Board may authorize the payment by the Foundation of the necessary expenses of any members in attending Board meetings and in performing other official duties for the Foundation.

G. The Board shall provide for annual audits by independent auditors of the accounts of the Foundation. The reports of such audits, which shall be submitted to both Governments, shall contain certification as to the accounts of the Foundation and evaluate the Foundation's internal control and auditing systems.

#### *Article VI. EXECUTIVE DIRECTOR*

A. The Executive Director shall be the chief executive officer of the Foundation. He shall be responsible for the operations and staff of the Foundation, and act in accordance with the policies, directives and delegations of the Board.

B. The Executive Director shall employ, oversee and dismiss members of the professional and administrative staff subject to the approval of the Board.

C. The Executive Director shall, among other things:

- (1) Evaluate proposals for projects submitted to the Foundation; and prepare and submit recommendations and draft agreements concerning project proposals to the Board for its approval;
- (2) Prepare and submit to the Board for its approval an annual budget and research program, including long-range plans for use of the Foundation's resources;
- (3) Prepare and submit to the Board for its approval an annual report, including an audited financial statement, on the activities of the Foundation; and
- (4) Implement decisions of the Board.

D. Any power of the Executive Director under this Agreement or delegated to him by the Board may be delegated by him to other officers of the Foundation, except as otherwise prescribed by the Board.

E. The Executive Director may obtain assistance from outside professionals, such as certified public accountants and technological experts, in evaluating proposals and auditing and monitoring projects sponsored by the Foundation.

F. The Executive Director shall organize, through a small budget item, various activities, such as consultant visits, information exchanges, and similar activities, to facilitate the achievement of the Foundation's objective.

G. The Executive Director shall maintain an appropriate system of internal control, including books and records which reflect the transactions of the Foundation and show the current financial condition of the Foundation. Such system shall include adequate internal financial and operational audits. The books, records and internal audit reports shall be available for review by authorized representatives of both Governments.

H. The Executive Director shall maintain close liaison with the Chief Scientist of the Ministry of Commerce and Industry of Israel and the Science Attaché of the United States Embassy in Israel and keep them fully informed of the Foundation's activities.

*Article VII.* FINANCIAL ASPECTS

A. The original endowment of the Foundation shall consist of the following:

- (1) Israeli pounds equivalent to thirty million dollars (\$30,000,000) at the official rate of exchange on the date of payment to be contributed by the Government of Israel;
- (2) Israeli pounds equivalent to thirty million dollars (\$30,000,000) at the official rate of exchange on the date of payment to be contributed by the Government of the United States.

B. The original endowment shall be provided to the Foundation within seven calendar days after all necessary authorizations have been obtained by the two Governments. The U.S. contribution is conditional on prior receipt of the payments referred to in paragraph H. below.

C. (1) Israeli pounds derived from the accelerated payment by Israel to the United States of Public Law 480 debts without maintenance of value provisions referred to in paragraph H below and an equal amount contributed by the Government of Israel shall be deposited in an account ("Endowment Account A") in the Bank of Israel and shall earn interest at the rate of four percent (4%) per annum, payable quarterly in arrears. This interest rate shall be adjusted annually in proportion to the change in the Israel Consumer Price Index in the twelve months preceding the adjustment. The first adjustment shall take place one year after this Agreement enters into force pursuant to Article XI, A.

(2) Israeli pounds derived from the accelerated payment by Israel to the United States of Public Law 480 debts with maintenance of value provisions referred to in paragraph H below and an equal amount contributed by the Government of Israel shall be converted by the Government of Israel into U.S. dollars and deposited in a dollar account ("Endowment Account B") in the Bank of Israel. The dollar account shall earn interest at the rate of five and one half percent (5.5%) per annum, payable quarterly in arrears.

(3) All income earned from Endowment Accounts A and B and from all other sources which is not to be used immediately for the operations of the Foundation shall be deposited with the Bank of Israel or invested in obligations issued or guaranteed by the Government of Israel, the Government of the United States or an instrumentality of either Government. Such investments shall be made by the Executive Director pursuant to policies established by the Board, and shall be made in such manner as will maximize earnings, consistent with their security and liquidity.

D. The Foundation shall use its investment and other income for the operations of the Foundation. In addition, with the approval of the Board, not more than ninety million (90,000,000) Israeli pounds may be drawn from Endowment Account A for the operations of the Foundation.

E. Except as the Board shall otherwise determine, to the extent that, at the end of any fiscal year, the dollar value of the net liquid assets of the Foundation [is] in excess of the equivalent of one hundred twenty million dollars (\$120,000,000) at the official rate of exchange, the excess shall be distributed in equal shares to the two Governments within 30 days after the Board's approval of the financial statement for that year. Such distributions will be taken from assets of the Foundation other than those in Endowment Accounts A and B and will be made to the United States in

dollars or in Israeli pounds convertible into dollars. Distributions to the Government of Israel shall be made in Israeli pounds.

F. The Government of Israel shall permit the Foundation to exchange Israeli pounds for convertible currencies required for expenses and financings of the Foundation's activities outside of Israel and permit their transfer if no foreign currency funds are available to the Foundation.

G. Income from Endowment Account B as well as all other income originated in non-Israeli currency can be invested in Israel or in the United States by the Executive Director, pursuant to policies established by the Board. The Government of Israel shall permit the transfer of foreign currency required for such investments in the United States.

H. The Government of Israel shall pay on the date this agreement enters into force to the Government of the United States Israeli pounds in an amount equivalent to thirty million dollars (\$30,000,000) at the official rate of exchange on that date by way of acceleration of those payments still outstanding on certain Public Law 480 debts for the years 1976 to 1997 as set forth in Appendix A. Additional accelerated payment of remaining installments of Public Law 480 debts with maintenance of value, in the inverse order of their maturity, shall be used to the extent necessary to bring the total accelerated payments to thirty million dollars (\$30,000,000).

#### *Article VIII. OPERATIONS*

A. The Foundation's operations shall consist mainly of the selection, approval and monitoring of projects funded in whole or in part by the Foundation. All proposals for such projects shall be submitted through the Executive Director to the Board for approval.

B. Each proposal considered by the Board shall:

- (1) Be submitted by United States or Israeli entities;
- (2) Show a mutually beneficial relationship between United States and Israeli entities;
- (3) Demonstrate the technical and economic feasibility of the project;
- (4) Contain evidence that the applicant(s) is capable of carrying out the project, either alone or through partial subcontracting to universities, industrial research institutes or other qualified entities; and
- (5) Indicate that the applicant(s) will contribute, from its own resources, or resources available to it, a significant portion of the financial resources required to carry out the project.

C. Each proposed project considered by the Board shall:

- (1) Promise a tangible, direct benefit for the national economies of the United States and Israel, such as significantly increased exports, maximized value added or new markets;
- (2) Be of interest to both United States and Israeli industry, because, for example, it would result in a new need in the world market being met or the exchange of materials between United States and Israeli industries being increased;
- (3) Be of general interest to an entire industrial field;

- (4) Directly or indirectly contribute to additional development of products, processes, or markets; and
- (5) Have tangible, direct benefits for both countries. (A project shall be considered to have tangible, direct benefits to both countries if it meets one of the following criteria:
  - (a) It is submitted jointly by a United States and an Israeli firm or by a joint venture of United States and Israeli firms;
  - (b) It will require expenditures for goods and services in both countries;
  - (c) It meets any other criteria established by the Board.)

D. Projects sponsored by the Foundation may not be conducted in geographic areas which came under the administration of the Government of Israel after June 5, 1967, and may not relate to subjects primarily pertinent to such areas.

#### *Article IX. EXEMPTIONS*

A. United States citizens employed by the Foundation or engaged in projects in Israel sponsored by the Foundation, and accompanying members of their families, if such citizens and such members are not permanent residents of Israel, shall be exempt from Israeli income taxes (including contributions required by the National Insurance Law of Israel), on income derived from the Foundation.

B. Travel by United States and Israeli citizens, who are not permanent residents of Israel, in connection with the official business of the Foundation or in connection with a project sponsored by the Foundation shall be exempt from the Israeli travel tax.

C. Permanent residents of Israel, travelling principally in connection with official business of the Foundation, shall enjoy the same reductions of travel tax as are accorded Israeli scientists employed by institutions of higher learning travelling on behalf of their institutions.

D. The Government of Israel shall accord exemptions (a) from Israeli income tax and property tax on the Foundation, and (b) from Israeli customs, duties, excises, surtaxes and other taxes levied on importation (1) of goods (including furniture, equipment, supplies and scientific and educational articles) intended for the use of the Foundation and (2) of scientific equipment to be owned by the Foundation and intended principally for use in a project sponsored by the Foundation.

E. If it develops that the Foundation or the projects sponsored by it are affected by lack of additional tax exemptions, the two Governments will consult together with a view to taking such action as may be mutually agreed to remedy the situation.

#### *Article X. OTHER SCIENTIFIC COOPERATION*

Nothing in this Agreement shall be construed to prejudice other arrangements for scientific cooperation between the two countries.

#### *Article XI. ENTRY INTO FORCE AND DURATION*

A. This Agreement shall not enter into force until after the Congress of the United States has appropriated the funds with which the United States will make its

contribution to the original endowment of the Foundation. The Government of the United States shall notify the Government of Israel promptly after the United States has taken all action necessary to permit the United States to make its contribution to the endowment of the Foundation and the Government of Israel shall notify the Government of the United States promptly after it has taken similar action. Thereafter, this Agreement shall enter into force on the date when both Governments make their contributions to the endowment as specified in Article VII. This Agreement shall remain in effect for five years from the date of its entry into force, and shall continue thereafter unless terminated by mutual agreement or by one year's notice in writing by one Government to the other.

B. The Regulations concerning Policies, Organization and Procedures of the Foundation and the Rules of Procedures of the Board attached to this Agreement shall become effective from the date of entry into force of this Agreement and shall remain in effect until changed by the Board.

C. In the event of termination of this Agreement, each Government shall be entitled to one half of the assets of the Foundation in Endowment Account A, one half of the assets in Endowment Account B, and one half of all other assets. As soon as possible after the termination, the property of the Foundation shall be sold and the sale proceeds and any other assets and funds (other than those in Endowment Accounts A and B) shall, after payment of all obligations, be divided equally between both Governments. However, (1) any industrial and intellectual property assets of the Foundation shall be divided or disposed of as the Governments may agree; and (2) records or documents of the Foundation shall be disposed of as the Board shall decide, subject to the approval of the Governments.

D. In the event of termination,

- (1) Each country's share of assets, other than those in Endowment Accounts A and B, shall be repaid as soon as those assets can be reduced to liquid form.
- (2) The Israeli share of assets in Endowment Accounts A and B shall be repaid in full to the Government of Israel on the date of termination.
- (3) If the Foundation is terminated prior to 1990, the United States share of assets in Endowment Accounts A and B shall be repaid in equal semi-annual installments drawn in equal proportion from each account beginning on the date of termination. The installments shall be based on a pro-rating of the repayment over the period from the date of termination to 1990. Until repayment, the United States share of the assets shall remain in their respective Endowment Accounts. As provided in Article VII above, the value of such assets shall be maintained by the Government of Israel and shall earn interest. The assets and their interest earnings shall be paid to the Government of the United States semi-annually.
- (4) If the Foundation is terminated during or after 1990, the United States share of the assets in Endowment Accounts A and B shall be repaid in full to the Government of the United States on the date of termination.
- (5) All repayments to the Government of the United States, other than those from Endowment Account A which shall be in Israeli pounds, shall be in U.S. dollars.



DONE in duplicate at Jerusalem this third day of March 1976.

For the Government  
of the United States of America

By: [*Signed — Signé*]<sup>1</sup>

For the Government  
of Israel:

By: [*Signed — Signé*]<sup>2</sup>

## APPENDIX A

### ISRAELI PREPAYMENT OF INSTALLMENTS BECOMING DUE FROM EFFECTIVE DATE OF AGREEMENT TO U.S. CALENDAR YEAR 1997

#### I. *Israeli Debt Without Maintenance of Value (MOV)\**

<i>Loan Number</i>	<i>Date of Last Installment Due</i>	<i>Loan Number</i>	<i>Date of Last Installment Due</i>
271-G-043 .....	3/1/87	271-G-073C .....	12/22/86
271-G-046 .....	4/1/87	271-G-097 .....	7/20/84
271-G-058 .....	2/1/87	271-G-103 .....	10/30/89
271-G-064 .....	1/1/83	271-G-106 .....	3/20/87
271-G-065 .....	3/1/87	271-G-119 .....	6/7/87
271-G-073A .....	9/11/86	271-G-130 .....	1/14/83
271-G-073B .....	12/29/86		

\* All outstanding PL-480 non-MOV debt will be prepaid.

#### II. *Israeli Debt With Maintenance of Value*

Accelerated payment of remaining installments of the following debts, in the inverse order of their maturity, will be made to the extent necessary to bring total prepayment to Israeli pounds equivalent to \$30 million on date agreement becomes effective.

<i>Loan Number*</i>	<i>Date of Last Installment Due</i>	<i>Loan Number*</i>	<i>Date of Last Installment Due</i>
271-D-006 .....	02/01/97	271-G-010 .....	08/01/88
271-G-003 .....	12/15/84	271-G-012 .....	07/01/89
271-G-004 .....	07/01/86	271-G-015 .....	03/01/89
271-G-007 .....	07/01/87	271-G-026 .....	03/09/90
271-G-009 .....	11/01/87		

\* Depending on the effective date of agreement, some loans may not be used.

## REGULATIONS CONCERNING POLICIES, ORGANIZATION AND PROCEDURES OF THE ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION

### Article I. GENERAL

A. These Regulations supplement the applicable provisions of the Agreement Establishing the Foundation (the "Agreement"). In the event of a conflict between these Regulations and the Agreement, the Agreement shall prevail.

<sup>1</sup> Signed by William E. Simon — signé par William E. Simon.

<sup>2</sup> Signed by Y. Rabinowitz — signé par Y. Rabinowitz.

B. These Regulations may be amended with the approval of the Board of Governors (the "Board").

#### *Article II. POLICIES*

A. In selecting industrial research and development projects ("projects") to be supported by the Foundation, the Board shall take into account the extent to which they involve, during all stages of development and execution, close collaboration between scientists, experts and investigators from both countries.

B. The Foundation shall not support any project for longer than three years; provided, however, that support for a project may be renewed if the results obtained or expected to be obtained are determined by the Board to warrant such renewal.

C. Administrative expenses of the Foundation shall be kept to a minimum to permit maximum funding of projects.

D. "Proprietary data", which is not originated by the Foundation but which comes into the possession of the Foundation, shall be so marked, treated as confidential by the Foundation and not made public by the Foundation without the consent of the originating party.

E. At no time will grants and conditional grants outstanding by the Foundation exceed in total value the annual interest income earned by Endowment Accounts A and B.

F. Except as the Board may otherwise agree, no loans made by the Foundation shall bear an interest rate of less than 6% nor have a grace period in excess of 3 years nor a maturity period (including grace period) of more than 7 years. However, the Board may, at its discretion, modify the grace period and maturity requirements for any particular case.

G. Income referred to in paragraph G of Article VII of the Agreement and earned by the Foundation from U.S. sources shall be invested in the United States to the maximum extent possible consistent with paragraph C (3) of Article VII of the Agreement.

#### *Article III. ORGANIZATION*

A. The Executive Director shall be a person of outstanding ability, prominent in the scientific and administration fields. He shall be appointed by the Board of Governors under a renewable contract for a term not exceeding three years with such compensation and other terms and conditions as may be determined by the Board.

B. Any power of the Executive Director under the Agreement or delegated to him by the Board may be delegated to other subordinate officers, except as otherwise prescribed by the Board.

C. The qualifications, compensation, tenure and causes for dismissal of the professional and administrative personnel shall be determined by the Board. To the extent feasible, the professional personnel of the Foundation shall be divided equally between United States and Israeli citizens.

#### *Article IV. PROCEDURES*

A. The board in approving an annual budget may indicate certain items which it desires to have presented to it at a later stage for specific approval.

B. Subject to approvals by the Board of Directors as required by the Agreement and these Regulations, the Executive Director is authorized to sign contracts, grants, checks and other official documents, on behalf of the Foundation.

C. The Foundation shall indemnify members of the Board and personnel of the Foundation for any liability, including reasonable expenses, in connection with the defense of any suit arising out of the performance of their official duties, other than negligent or intentional misconduct.

D. The Executive Director and all other personnel responsible for fiscal matters of the Foundation shall be bonded at a level appropriate to their responsibilities.

E. The fiscal year of the Foundation shall be from October 1 to September 30.

F. Proposal submission and review shall be carried out as follows:

- (1) In April and October of each year, the Executive Director shall have published in widely circulated governmental periodicals in Israel and the United States an invitation to submit proposal abstracts.
- (2) The proposal abstracts shall be reviewed by the Assistant Secretary of Commerce for Science and Technology in the United States and by the Chief Scientist of the Ministry of Commerce and Industry in Israel.
- (3) The Executive Director shall rank the proposal abstracts on the basis of the foregoing reviews and invite persons submitting ranking proposal abstracts to submit detailed proposals.
- (4) Each detailed proposal shall be reviewed by the Chief Scientist of the Israel Ministry of Commerce and Industry and the Assistant Secretary for Science and Technology of the United States Department of Commerce.
- (5) The Executive Director, on the basis of the reviews, shall rank the proposals and submit them, together with his recommendations, to the Board at least 45 days in advance of the Board meeting at which they are to be considered.

#### *Article V. TERMS*

A. Any agreement between the Foundation and a participant(s) shall specify, among other things:

- a. Detailed financial arrangements, including terms regarding maturity, grace period and interest rate of any loans by the Foundation and conditions attached to any grants by it;
- b. Procedures for financial and technical reporting, monitoring and auditing;
- c. Marketing and manufacturing arrangements, as well as royalties and fees to the Foundation from a successful product, process or service;
- d. Procedures for publication of research; and
- e. Other terms and conditions which are in conformity with these Regulations, and, to the extent reasonably possible, with the standardized forms approved by the Board.

B. The patent rights clause incorporated in any agreement on a project authorized by the Foundation pursuant to these regulations shall be based on the following principles:

(1) Where each participant makes a contribution to the research and development to be performed under the Agreement and:

- (a) An invention is made by an employee(s) of only one of the participants, each participant shall have the first option to acquire the entire right, title and interest in the invention in his own country and the participant whose employee made the invention shall have the first option to acquire such rights in third countries subject to a nonexclusive, irrevocable, royalty-free license in the invention to the other participant(s); or
- (b) An invention is made jointly by the employees of more than one participant, all participants shall have the option to retain jointly the entire right, title and interest in the invention throughout the world.

The rights specified in this paragraph shall be subject to the rights reserved to the Governments of the United States and Israel as specified in paragraph (3), and to the rights of the Foundation as specified in paragraph (4).

(2) Notwithstanding the provisions of paragraph (1), where a purpose of an agreement is to market an invention, including bringing that invention to the point of commercial application, and where one participant holds the entire right, title and interest in that invention, such a participant shall continue to hold such rights in that invention unless otherwise agreed. The rights specified in this paragraph shall be subject to the rights of the Foundation as specified in paragraph (4).

(3) The Governments of the United States and Israel shall each acquire a nonexclusive, irrevocable, royalty-free license to make or have made, to use or have used, and to sell or have sold any invention specified in paragraph (1) throughout the world for all governmental purposes; provided, however, that in any contracting situation involving an invention made under the Agreement, the Government of Israel shall give preference to the participant retaining the entire right, title and interest in the invention in Israel. Notwithstanding the foregoing, except for military purposes or in emergency situations, neither the Government of the United States nor the Government of Israel shall have the right to sell or otherwise dispose of in any third country any product incorporating an invention or made by practicing an invention without the prior written permission of the participant(s) which has acquired the entire right and interest in the invention in third countries. Such participant shall not withhold permission where appropriate royalties are paid by the government concerned.

(4) Any participant(s), who retains rights in an invention pursuant to paragraph (1) and who obtains a patent thereon in any country, shall pay to the Foundation a reasonable royalty on sales of any product embodying the invention of any product made by practicing the invention. Such royalty shall be established by negotiation between the Foundation and the participant(s) and shall be included in the agreement setting forth the Foundation's support of the project. In determining the amount that shall constitute a reasonable royalty, consideration shall be given to the relative contributions of the Foundation and the participant(s) to the making of the invention.

#### *Article VI. INDUSTRIAL RESEARCH AND DEVELOPMENT COUNCIL*

A. The United States-Israel Industrial Research and Development Council (the "Council") will propose to the Board nominees for the position of Executive Director. However, the Board may choose as Executive Director a person who is not a nominee of the Council.

B. The Council will assist the Executive Director in bringing U.S. and Israeli industry together to submit proposals for cooperative technological research and development projects.

C. The Council will review the state of industrial research and industrial development in Israel, and, taking into account United States economic interests, will accordingly advise the Board on the direction which the Council believes the Foundation's activities should take.

#### *Article VII. DEFINITIONS*

(1) The term "participant" shall mean a party who executes an agreement with the Foundation pursuant to the provisions of the Agreement and Bylaws of the Foundation.

(2) The term "made" shall mean to conceive or first actually reduce to practice.

(3) A "joint invention" shall be defined in accordance with the patent laws of the United States and shall include a situation in which an invention is conceived by an employee(s) of one participant and reduced to practice by an employee(s) of the other participant.

(4) A "conditional grant" is a grant requiring repayment under conditions to be agreed between the Board and the recipients.

## RULES OF PROCEDURE OF THE BOARD OF GOVERNORS OF THE ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION

1. Special meetings of the Board may be called at the request of three members.
2. Notice of meetings shall be dispatched to members at least thirty (30) days before the meeting by registered mail.
3. A quorum of the Board for the transaction of business shall consist of four (4) members, including members present by proxy. A member of the Board may cast proxy votes for absent members of his nationality.
4. A vacancy in the office of Chariman may be filled as it occurs by an election by the Board of a member from the same country as the previous Chairman for the remainder of the previous Chairman's term.
5. The Chairman shall preside at meetings. In his absence, a member designated by the Chairman shall preside.
6. The Executive Director shall attend all meetings of the Board, except meetings which concern his personal position as the Executive Director.
7. The Executive Director of the Foundation shall be responsible for keeping the minutes of the meetings. These minutes shall record the subjects discussed, the decisions taken and the votes on such decisions.
8. The order of business at meetings shall be as determined from time to time by the Chairman in consultation with the Board.
9. Through the Chairman, the Board may invite governmental representatives or private persons to attend its meetings.
10. The Board may establish special committees to consider and report on particular subjects.
11. In the event of a conflict between these Rules and the Agreement Establishing the Foundation, the Agreement shall prevail.

### EXCHANGE OF LETTERS

#### I

EMBASSY OF ISRAEL  
WASHINGTON, D.C.

18 May 1977

Dear Mr. Bergsten:

On behalf of my Government, I have the honor to inform you that the Government of Israel is today contributing the equivalent in Israeli pounds of \$30 million (\$30,000,000) toward the original endowment of the Israel-United States Binational Industrial Research and Development Foundation ("Foundation"), pursuant to the March 3, 1976, Agreement between our two countries establishing the Foundation.

I also have the honor to inform you, on behalf of my Government, that the Government of Israel has today prepaid certain Public Law 480 debts described in the Annex to this letter. It is my Government's understanding that an exchange rate of

9.2626 Israeli pounds to the U.S. dollar governs the transactions indicated in this exchange of letters.

I would appreciate it if you would confirm, on behalf of your Government, the foregoing understanding that this letter and your reply constitute an agreement between our two Governments.

Sincerely,

[Signed]  
SIMCHA DINITZ  
Ambassador

The Honorable C. Fred Bergsten  
Assistant Secretary for International Affairs  
U.S. Department of the Treasury  
Washington, D.C.

## ANNEX

### INSTALLMENTS TO BE PREPAID

#### 1. PL-480 Debt Without Maintenance of Value Provision

<i>Loan #</i>	<i>Installments Being Prepaid</i>	<i>Amount (Israeli Pounds)</i>
271-G-043	9/1/77-1987	12,503,096.44
271-G-046	10/1/77-1987	3,289,753.44
271-G-058	8/1/77-1987	7,855,750.00
271-G-064	7/1/77-1983	5,882,425.00
271-G-065	9/1/77-1987	18,371,700.90
271-G-073A	9/11/77-1986	14,127,272.80
271-G-073B	6/29/77-1986	14,833,636.44
271-G-073C	6/22/77-1986	8,118,243.01
271-G-097	7/20/77-1984	4,171,122.91
271-G-106	9/20/77-1987	12,558,240.00
271-G-119	6/7/77-1987	17,020,767.38
271-G-130	7/14/77-1983	6,226,260.75
	<b>TOTAL</b>	<b>IL 124,958,269.07</b>

#### 2. PL-480 Debt With Maintenance of Value Provision

<i>Loan #</i>	<i>Installments Being Prepaid</i>	<i>Amount (U.S. Dollars)</i>
271-D-006	8/1/85-1997	1,511,084.16
271-G-004	1986	983,382.27
271-G-007	*7/1/85-1987	1,434,985.03
271-G-009	11/1/85-1987	1,446,134.23
271-G-010	8/1/85-1988	5,974,335.02
271-G-012	7/1/85-1989	747,329.40
271-G-015	9/1/85-1989	4,304,198.07
271-G-026	9/9/85-1990	107,926.18
	<b>TOTAL</b>	<b>\$16,509,374.36</b>

\* Partial prepayment.

## II

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

Assistant Secretary

May 18, 1977

Dear Mr. Ambassador:

On behalf of my Government, I have the honor and distinct pleasure to inform you that the Government of the United States is today contributing the equivalent in Israeli pounds of thirty million dollars (\$30,000,000.00) toward the original endowment of the Israel-United States Binational Industrial Research and Development Foundation ("Foundation"), pursuant to the March 3, 1976, Agreement between our countries establishing the Foundation.

I also have the honor to acknowledge your letter of today's date informing me of the equivalent contribution to the Foundation by the Government of Israel. On behalf of my Government, I also accept your Government's prepayment of the Public Law 480 debts described in the Annex to your letter, and confirm our agreement that an exchange rate of 9.2626 Israeli pounds to one U.S. dollar governs the transactions indicated in our exchange of letters.

I am confident that the Foundation will strengthen economic cooperation between the United States and Israel and will promote mutually-beneficial links between the enterprises of our countries in the field of applied science and technology.

On behalf of my Government, I wish to confirm that your letter and the present letter constitute an agreement between our two Governments.

Sincerely,

[Signed]

C. FRED BERGSTEN

Assistant Secretary  
for International Affairs

His Excellency Simcha Dinitz  
Ambassador of Israel  
Washington, D.C.

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