

## INTRODUCTION

BIRD has been continuously involved in bi-national technology support. Our model of operation has worked well time and time again over the years and we are confident that it will continue to prove itself in the future.

Our success is measured in more than one way: Billions of dollars of revenues have been generated by commercialization of products developed in BIRD-related projects. Smaller Israeli companies have gone public or were acquired; larger American companies have gained access to cutting edge technology, opened R&D centers in Israel and acquired promising Israeli companies.

We continue to extend our support to global conglomerates, to medium-size companies and to early stage start-ups. Our procedures are straightforward, friendly and easy to follow. We encourage companies to approach us early in the process to discuss their potential projects and partnerships. We support qualified projects and share the risk with two partnering companies meeting the following basic criteria:

1. The two partners are an American company and an unrelated Israeli company.
2. The companies agree to share risk, involvement in the project and rewards.
3. The proposed project offers significant innovation, with a high commercial potential.
4. The economic and social contributions of the project are also a consideration.
5. The companies' joint project proposal is approved by BIRD's Board of Governors, following experts' review.

The main purpose of this handbook is to provide you with clear guidelines for submitting the three (and only three) documents required in a BIRD project:

1. Project proposal
2. Fiscal and Technical progress reports
3. Commercialization reports

In order to simplify the process, we have developed easy-to-use Excel work sheets for data collection and for creation of final summaries. These are available in this document as well as on our website [www.birdf.com](http://www.birdf.com).

We hope that this handbook will help you navigate easily through our process. Please do not hesitate to contact us with any questions.

Wishing you success,



Eitan Yudilevich, Ph.D.  
Executive Director

## TABLE OF CONTENTS

<b>1. BIRD Awards</b>	4
1.1. Introduction	4
1.2. The BIRD Model	4
1.2.1. Overview	4
1.2.2. The Product	6
1.2.3. The Project	6
1.2.4. The Proposer	
1.2.5. The Project Budget	7
1.2.6. The Conditional Grant	7
1.2.7. Grant Repayments	7
1.3. The Partnership Agreements	10
1.3.1. The Cooperation and Project Funding Agreement (CPFA)	10
1.3.2. The Company-Company Agreement	10
1.4. Project Awards	10
1.4.1. Full-Scale Projects	11
1.4.2. Mini-Projects	11
<b>2. The BIRD Project Application Process and Timetable</b>	
2.1. Step 1: Introduction of Potential Project to BIRD	13
2.2. Step 2: Submittal of the Executive Summary of Project Proposal	14
2.3. Step 3: BIRD's Review of the Executive Summary of Project Proposal	14
2.4. Step 4: Preparation and Submittal of the Full Project Proposal	15
2.5. Step 5: Meetings with Company Officials during BIRD's Company Site Visit	15
2.6. Step 6: Proposal Review and Grading by the OCS/NIST Reviewers	16
2.7. Step 7: Decision on the Proposal by BIRD's Board of Governors	16
2.8. Step 8: Financial Status and Funding Resources Clearances	17
2.9. Step 9: Formal Company to Company Agreement	17
2.10. Step 10: Preparation and Signing of the CPFA	18
<b>3. Proposal Preparation Guidelines</b>	
3.1. Introduction	20
3.2. Executive Summary of Project Proposal	20
3.3. The Project Proposal	23
<b>4. Report Formats</b>	47
4.1. General	47
4.2. Technical Reports	47
4.2.1. Interim Technical Reports	48
4.2.2. Final Technical Report	51
4.2.3. Informal Reports	52
4.3. Fiscal Reports	56
4.3.1. Introduction	56
4.3.2. Report Outline	56
4.4. Commercialization Reports	63

<b>5. Agreements</b>	65
5.1. Introduction	65
5.1.1. Cooperation and Project Funding Agreement (CPFA)	65
5.1.2. Confidential Disclosure Agreement	66
5.1.3. Business Agreement between the Companies	66
5.2. Agreement Examples	67
5.2.1. Cooperation and Project Funding Agreement	67
5.2.2. Confidential Disclosure Agreement – One Company	88
5.2.3. Confidential Disclosure Agreement – Two Companies	91

# **1. BIRD Awards**

## **1.1. Introduction**

This Handbook is intended to provide prospective applicants with information regarding the Israel-U.S. Binational Industrial Research and Development Foundation (henceforth "BIRD"). However, before a company starts preparing a proposal, as stipulated in the following pages, we strongly recommend a personal meeting with our staff in Israel or with our colleagues in the U.S. Such meetings enable a preliminary discussion of the project, the proposed partnership, and the various options available to prospective participants.

BIRD is managed by an Executive Director and a staff, headquartered in Tel Aviv, Israel. The Executive Director reports to a Board of Governors, comprising three senior government officials from both the U.S. and Israel. BIRD's U.S. offices are located in the Western and Eastern regions of the U.S., with logistical support provided by several other regional offices nationwide. Information pertaining to BIRD's offices and affiliates can be found in our website [www.birdf.com](http://www.birdf.com) and in BIRD's annual reports.

All BIRD-funded projects must be jointly proposed and implemented by a partnership between an Israeli company and a U.S. company. Although BIRD is happy to assist companies from either country to find a suitable corporate partner, the main responsibility for forming the partnership belongs to the companies. No BIRD project agreement can be signed and exercised (with potential grantees whose proposal has been approved) until there is a viable business agreement between them.

## **1.2. The BIRD Model**

### **1.2.1. Overview**

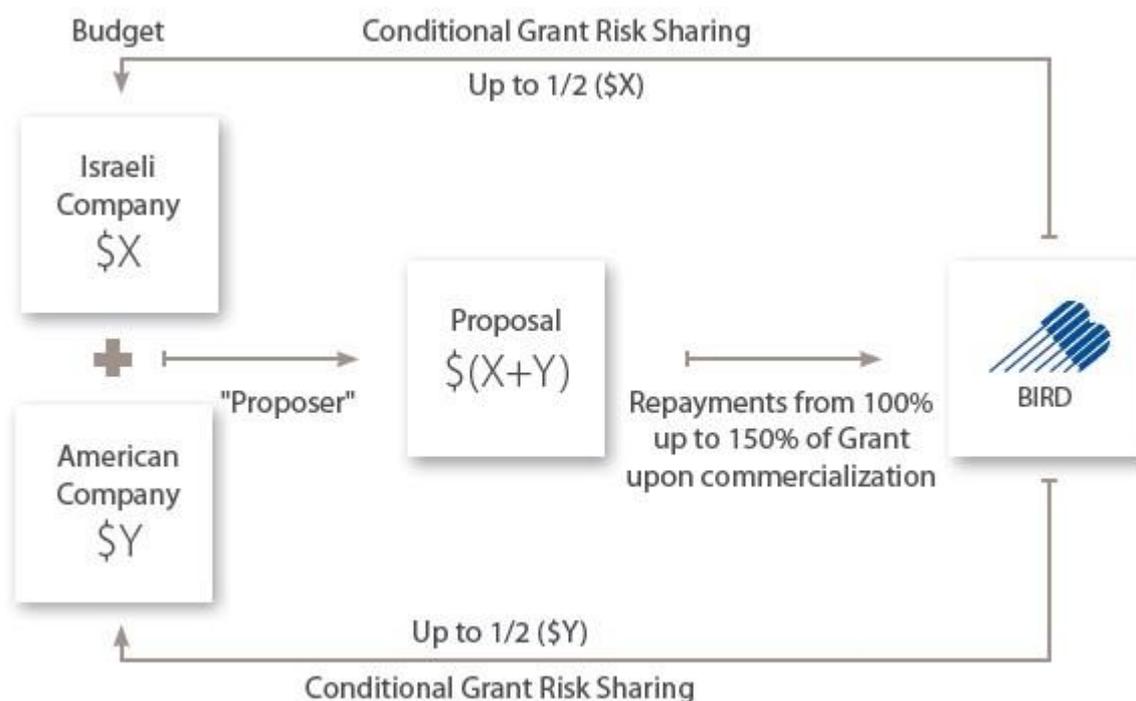
Any two companies, one registered in Israel and the other in the U.S., may jointly apply for BIRD support, as long as they have the combined capability and infrastructure to define, develop, manufacture, sell and support an innovative product or service, referred to as "the Product". The two partnering companies are collectively referred to as "the Proposer". One key criterion is that each company has the demonstrated ability to carry out its part of the Product's joint development program, referred to as "the Project", as well as its part in the commercialization. Another key criterion is that the nature of the business relationship between the two companies is that of sharing; both in the Product's development program and in the revenues derived from its commercialization.

BIRD cost-shares with the Proposer in the development, to the point of commercial readiness, of innovative (non-defense) technology-based products or processes which have reasonable potential for generating revenues and profits commensurate with the investment and the risks.

For many Israeli companies, finding a qualified U.S. corporate participant capable of assisting in product definition, gathering market intelligence, and taking responsibility for marketing, sales and service, is the key to maximizing the business benefit of their innovative ideas. The incentive for U.S. companies to collaborate with Israeli partners is to expand their product lines with cutting edge Israeli technology and leapfrog the competition. An additional incentive is that products manufactured largely in Israel benefit from duty-free entry into EEC countries. As a result of the Free Trade Area Agreement between the U.S. and

Israel, many products manufactured in either country will enter the other country either duty-free or at reduced tariff rates.

BIRD participates in the Project's development cost, referred to as "the Budget", with the Proposer, by funding up to 50% of the Project's budget, and referred to as "the Conditional Grant". The two companies, separately and together, are obligated to repay BIRD the total Conditional Grant received, referred to as "the Repayment", but only from the revenue generated by the Product's sales upon successful commercialization. (Please see a schematic diagram of **BIRD's model of payments-repayments** in the figure below.)



Companies should note that according to Generally Accepted Accounting Principals ("GAAP"), a company that receives a grant from BIRD can record it as a reduction of Research & Development expenses (in the Income Statement) and not as a liability (in the Balance Sheet). Since there is no assurance of a successful outcome for the project at the time the grant is received, the funding is considered a contingent liability that should be included in the notes to the financial statements. The grant is repaid only when, and if, revenues occur. Should commercial revenues eventuate, BIRD receives repayments or royalties, depending on the form of commercialization, as discussed in Section 1.2.7., up to a maximum of 150% of its investment, in constant dollars. All payments to the Foundation are a pre-tax business expense.

### **1.2.2. The Product**

The jointly developed product must have significant technological innovation. One or both companies should possess intellectual property rights to the technology being developed and to the finished product. The Product should target an attractive and growing market that is not necessarily geographic specific, but is familiar to and serviced by at least one of the two partnering companies.

BIRD will consider products employing any area of technology and targeted for any market segment or application, but encourages and preferentially supports projects employing breakthrough or state-of-the-art technologies which are receiving global attention and address market segments where Israel has a relative technology or business long-term advantage. The only exception to the above is BIRD's restriction to support products targeted for military markets or applications.

### **1.2.3. The Project**

The Project is defined as the scope and duration of the development program undertaken jointly by both companies, at the end of which the Product should be market-ready. All activities required for subsequent commercial manufacturing, specification, and market introduction, should be detailed in the Project, including beta-site testing, regulatory approvals, and test marketing.

Because of the wide range of projects and partnerships that may qualify for BIRD support, there are no hard and fast rules for the detailed nature of the cooperation between the partners. They must follow their own judgment as to the division of activities that will most cost-effectively accomplish the project's technical and commercial goals. For example, if the bulk of the R&D is to be performed by one partner, the contribution of the other partner may focus on marketing, along with detailed product specification, sales and service. Manufacturing may be conducted by either or both partners or by subcontractors. Institutions or non-manufacturing companies may act as subcontractors in the R&D or testing phases of the project.

Project start date may be as early as the 1<sup>st</sup> day of the month in which the final Project proposal is submitted jointly by the companies, and Project duration may be as long as 3-4 years, if deemed necessary for reaching commercial readiness.

A limitation of BIRD's funding agreement is that sponsored projects 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.

### **1.2.4. The Proposer**

The U.S. company and the Israeli company are collectively referred to as the Proposer. Both companies should have the majority of the necessary R&D resources required for the Project in their respective countries. The two companies should have the combined, proven capability and infrastructure to define, develop, manufacture, sell and support the Product defined by the Project.

Typically (but not necessarily), the Project partners include one larger company and one smaller company. Both partners should contribute and share their technological expertise and intellectual property in execution of the joint development program, but their respective contributions do not necessarily have to be identical. However, the task assignments should be divided in such a way that neither partner's portion in the combined budget is less than 30%. Manufacturing responsibilities of the Product can be divided between the companies as they see fit, and can be performed by subcontractors in any geographical

location. Marketing and sales support of the Product can be divided between the project partners. Preferably, at least one partner (usually the larger company) should have extensive market presence, as well as a proven track record in marketing and infrastructure, to successfully realize, upon product commercialization, the bulk of the sales projections indicated in the proposal.

A typical profile of the larger company is one that develops, manufactures, sells and supports technology-based products and is willing to enter into strategic partnerships with companies having complementary skills and resources.

Among younger companies, BIRD seeks medium-sized, small, or start-up companies with leading-edge technological capabilities, good management, and strategic direction combined with the willingness and flexibility to develop products for a potentially large market that match the business strategy of a large, established company.

### **1.2.5. The Project Budget**

The Project Budget is estimated by the Proposer and is submitted as part of the project proposal in the grant application process. It must include practically all development expenses to be incurred during the course of the Project, including direct labor and its associated overhead, materials, subcontractors, consultants, travel, depreciation on new or used equipment employed and marketing expenses related to the development effort. The budget is prepared and submitted separately by the Israeli company (\$X in the diagram on page 5) and the U.S. company (\$Y), and covers the entire duration of the project.

### **1.2.6. The Conditional Grant**

BIRD will cost-share in the joint development by extending to the Proposer a conditional grant (G) totaling up to 50% of the Project Budget (X+Y in the diagram). Each partner directly receives the portion of the total grant that is relative to its share in the budget.

Payments are made after receipt and approval of a joint technical report and a separate fiscal report submitted by each partner at the end of each one of N segments (generally every 6 months). These reports cover the development progress and the actual expenses incurred during the segment. For the sake of cash flow planning, grantees can assume N+1 equal payments of  $\$G/(N+1)$  every 6 months, the first one extended immediately after the CPFA is signed by all parties.

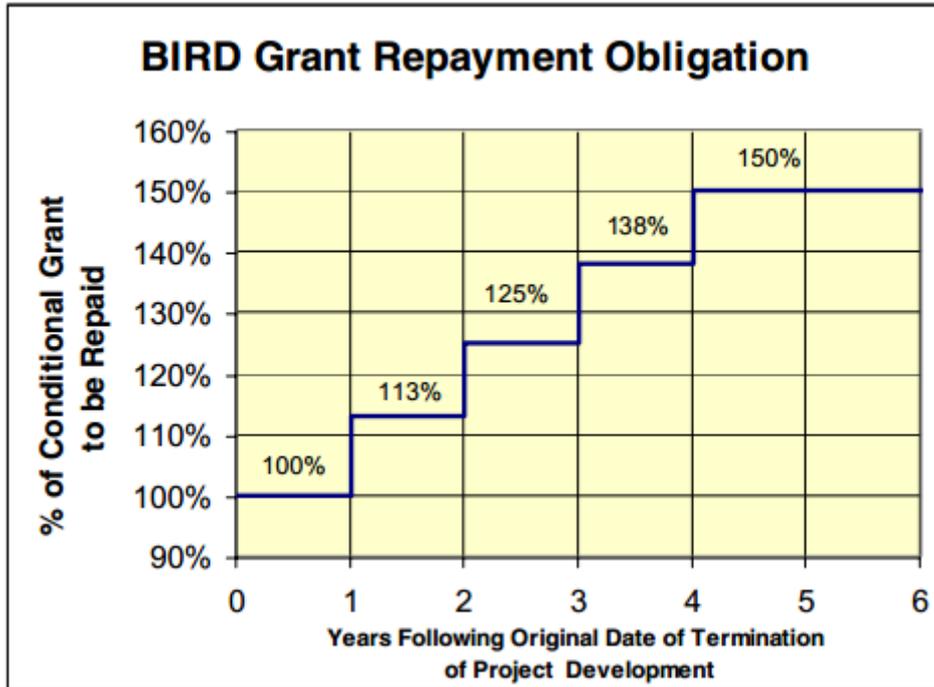
BIRD funding covers only a portion of the companies' product development and commercial readiness costs, i.e., it does not include funding of manufacturing resources, ongoing marketing costs and any other downstream cash requirements before positive cash flow is achieved. The companies must, therefore, be able to demonstrate that they have the infrastructure and resources needed to complete the development project (or access to it), offer it as a commercial product and realize its full commercial potential.

### **1.2.7. Grant Repayments**

Upon product commercialization, the gross sales (and not the profit) derived by either partner from sales of the Product (or subsequent products based on the technology developed in the Project), become the basis for repayment of the BIRD Grant. Repayments are made at the rate of 5% of each \$ of reported sales revenue.

Additional revenue sources for repayments to BIRD are those derived from extending licensing rights to the technology, at the rate of 30% of the revenue earned, or from the outright sale of the technology to any third party, at the rate of 50% of the sales value. The maximum repayment amount due by the Proposer is dependent on the length of time that it takes to complete the repayments, as detailed in the table and chart below:

Years Following Original Date of Termination of Project Development	Maximum Percentage of Conditional Grant and other sums to be Repaid (indexed by the U.S. CPI)
1 <sup>st</sup>	100%
2 <sup>nd</sup>	113%
3 <sup>rd</sup>	125%
4 <sup>th</sup>	138%
5 <sup>th</sup> and more	150%



For a full year after Project completion (the 1<sup>st</sup> year of product commercialization), the repayment amount due is the actual cumulative sum granted by BIRD to the Proposer, linked to the U.S. Consumer Price Index (CPI). Since the repayment sum due does not increase beyond the 5<sup>th</sup> year after Project completion, the maximum repayment obligation that the Proposer can ever assume is 150% of the total sum granted by BIRD, linked to the CPI.

If product commercialization is unsuccessful, and no revenue is generated, whether due to technological or marketing failure, BIRD will not seek repayment of the Conditional Grant. Thus, BIRD participates with the Proposer in the risk of an unsuccessful product development investment.

**“Pharma Model” Projects**

Repayments from projects defined by the Foundation as “Pharma Model” will be based upon achieving milestone(s) and not as a percentage of sales. (Please refer to BIRD’s website for additional information on the [“Pharma Model”](#)).

## **1.3. The Partnership Agreements**

### **1.3.1. The Cooperation and Project Funding Agreement (CPFA)**

Once a Project is approved by BIRD's Board of Governors, or BIRD Energy's Executive Committee, a Cooperation and Project Funding Agreement (CPFA) is signed by the two partners (the "Proposer") and the Foundation. The CPFA (see Section 5.2.1. for a draft version) describes the work plan, project budget, payments due the Proposer, repayments due the Foundation from sales or other income resulting from the project, reporting requirements, etc.

It is the Proposer, (see earlier definition), separately and jointly, that actually receives the conditional grant funds according to BIRD's CPFA, and it is the responsibility of the Proposer to repay the Foundation in the event that the technology (in whole or in part), developed in the BIRD project is commercialized.

### **1.3.2. The Company-Company Agreement**

(referred to as the "Business Agreement" in Section 5.1.3.)

The company-company arrangement is a two-party contract between the U.S. and Israeli companies. This agreement is not a BIRD document and BIRD is not a party to this agreement. However, the agreement needs to be submitted to BIRD for review prior to signing of the CPFA. This formal company-company agreement should address issues relating to manufacturing rights, marketing responsibilities, ownership of technology, benefits to each company during commercialization, etc., and, of course, repayments to BIRD. The risk and profit sharing nature of the cooperation, classifying it as a business partnership rather than a sub-contracting arrangement, should be clearly defined and understood. Agreement on these issues prior to initiation of the joint venture is critical to maintaining the cohesiveness of the company-company affiliation throughout all phases of cooperation.

As part of their separate agreement, Israeli and U.S. companies include a few "BIRD clauses" which, in effect, define what is agreed-upon by the companies regarding funds to be received from BIRD and repayments to be made. Of course, this company-company understanding covers many other issues and items.

## **1.4. Project Awards**

Projects are BIRD's main business. As detailed below, there are two types: full-scale and mini-projects, depending on the total cost (budget) of the proposed project.

Once a U.S. company and an Israeli company select a project that meets our general criteria (as established from discussions with the BIRD Foundation either in Israel or in the U.S.), we ask them to jointly submit an "Executive Summary of Project Proposal". Joint submission of this document is essential before submitting proposals for either full-scale or mini-projects (see Section 3.2.). Following our review of the Executive Summary, typically within two weeks, we advise the companies as to the proposal preparation and subsequent steps, inviting them to submit a formal proposal in accordance with the guidelines detailed in Section 3, "Proposal Preparation Guidelines". A copy of the Executive Summary of Project Proposal can be found in Section 3.2., and on our website [www.birdf.com](http://www.birdf.com).

### **1.4.1. Full-Scale Projects**

A Full-Scale Project is defined as one in which the total development cost to the two companies (up to the point of commercial readiness) (Budget x+y in the above diagram) is at least \$400,000. BIRD's cost-share is up to 50% of the total cost of such projects.

Decisions whether to approve or reject proposals for funding full-scale projects are made by BIRD's Board of Governors. The Board of Governors convenes semiannually to act on proposals for full-scale projects. Members of the Board include U.S. representatives from the Department of Commerce, represented by the National Institute of Standards and Technology (NIST), the Department of Treasury and the Department of State. Israel's Board members are the Director General and Chief Scientist of the Ministry of Economy (former Ministry of Industry, Trade and Labor, OCS) and the Director General of the Ministry of Finance.

#### **(A) BIRD Projects**

The Board meets to deliberate the approval of projects twice a year, usually in June and December. In addition, each year, up to 14 meritorious proposals that missed those dates by a few weeks may be brought for review by a special meeting of the Board. This may take place twice a year between the regularly scheduled meetings, upon the recommendation of the Executive Director.

The decision by the Board is based on BIRD's internal review and also on confidential proposal technological reviews by two expert agencies, the NIST and the OCS of Israel's Ministry of Economy. Adherence to the proposal preparation guidelines detailed in Section 3 is essential for the proper review.

#### **(B) BIRD Energy Projects**

The Executive Committee meets to deliberate the approval of projects once a year, usually in October and November.

Members of the Committee include U.S. representatives from the Department of Energy and the Department of Commerce, represented by the National Institute of Standards and Technology (NIST). Israel's Committee members are the Chief Scientist of the Ministry of National Infrastructures, Energy and Water Resources and Israel representatives from the Ministry of Economy.

The decision by the Executive Committee is based on BIRD's internal review and also on confidential proposal technological reviews by two expert agencies, the U.S. Department of Energy and the Israel Ministry of National Infrastructures, Energy and Water Resources. Adherence to the proposal preparation guidelines detailed in Section 3 is essential for the proper review.

### **1.4.2. Mini-Projects**

It is often appropriate for two companies contemplating a partnership to define an initial project of modest size rather than to plunge into a higher-cost, full-scale project of greater risk and duration. BIRD has, therefore, designed and introduced the Mini-Project, which has proven to be a powerful and successful tool for rapid and relatively low-risk involvement of U.S. and Israeli companies in relatively small but meaningful product developments of a cutting edge technology.

The Executive Director is empowered by the Board of Governors to allocate up to 20% of annual conditional grant funds for the support of mini-projects. The budget of a BIRD mini-project is limited to \$400,000. Grants are a maximum of \$200,000, or 50% of actual project costs, whichever is less.

It is important to note that despite the relatively small size of such joint ventures, the scope and total budget of the mini-project must be such that at its completion the developed product will be market-ready. A proposal for a mini-project in which product development, although advanced, is not fully completed to enable its prompt initial commercialization, will usually not be approved.

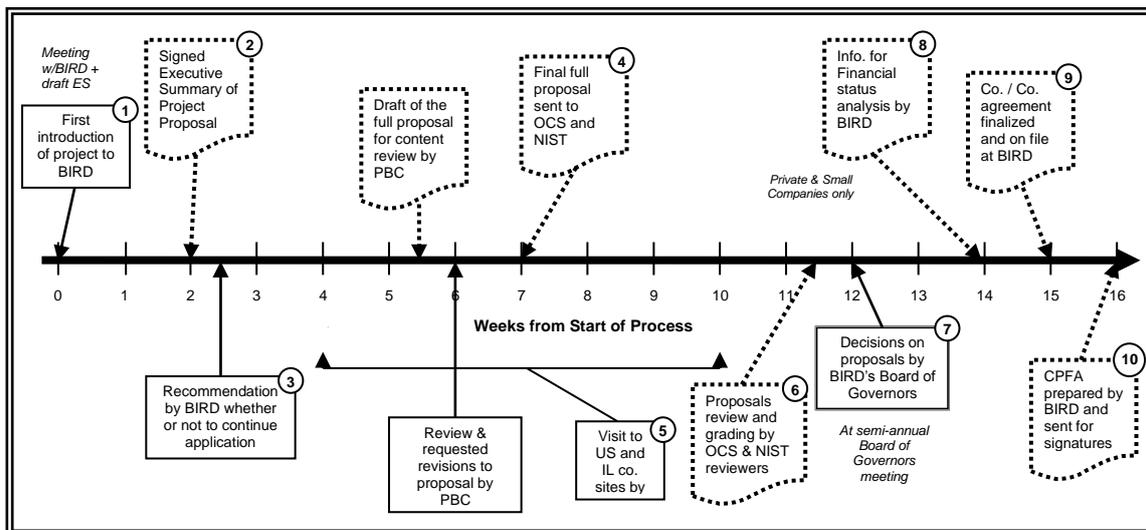
Mini-project proposal preparation guidelines are identical to those of the full-scale project. The same strict criteria regarding business and technical capabilities and commercial potential are applied.

The decision to approve Mini-Project proposals is made by BIRD's Executive Director, after review of the proposal. Proposals for mini-projects are accepted throughout the year, and a definitive response to such proposals is typically given within four to eight weeks.

Once approved, mini-projects are implemented under the same CPFA as full-scale projects (see Section 5.1.1.).

## 2. The BIRD Project Application Process and Timetable

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



### 2.1. Step 1: Introduction of Potential Project to BIRD

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

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

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

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

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

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

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

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

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

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

## 2.2. Step 2: Submittal of the Executive Summary of Project Proposal

*[Feasible timeframe: 2 weeks from the process start]*

Once the Israeli and U.S. companies decide to (1) jointly undertake the development and commercialization of a defined product and (2) apply to BIRD for partial funding of the project, the companies will complete and sign the Executive Summary of Project Proposal (see section 3.2.) and submit it to BIRD's upload system at the following address: <https://upload.birdf.com>. The instructions on how to upload information can be found on BIRD's website at [www.birdf.com](http://www.birdf.com)

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

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

*[Feasible timeframe: 2.5 weeks from the process start]*

Within a few days following submission of the complete and signed Executive Summary of Project Proposal, BIRD's PBC's will issue their written recommendation to the companies regarding whether or not

to proceed to the next step in the application process – the preparation and submittal of the full project proposal.

## **2.4. Step 4: Preparation and Submittal of the Full Project Proposal**

*[Feasible timeframe: 7 weeks from the process start]*

The companies will jointly prepare a full project proposal, following the detailed instructions given in section 3 below. The proposal will be reviewed first by BIRD's assigned PBC (Primary BIRD Contact), whose objective is to ensure adherence to BIRD's proposal preparation guidelines, including completeness, clarity and consistency of its contents. The proposal must be submitted to BIRD's upload system for the PBC's review. The PBC will usually summarize his / her comments and recommendations for revisions in writing within a week from receipt of the full proposal for his / her review.

After incorporating all changes and enhancements requested by the PBC, the companies must upload the final proposal to BIRD's upload system. A hard (unbound) copy must be sent to BIRD's headquarters in Israel, where it will be filed.

There is a formal deadline in the project proposal process. The upload system will be closed on the deadline date specified on BIRD's website. In order to ensure that a proposal be approved at the next scheduled meeting of BIRD's Board of Governors (BOG) (see Step 7, below), the proposal needs to be submitted prior to the specified deadline. Not complying with this deadline will prevent the reviewers from reaching a decision in time for the Board of Governors meeting.

Furthermore, failing to comply with all the instructions and requirements set forth for the preparation of the proposal, will cause the rejection of the proposal and it will not be considered a candidate for BIRD support.

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

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

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

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

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

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

Both the reviewers from the OCS and the NIST (see Step 4, above) will receive a copy of the full project proposal for review.

The reviewers are independent professionals with specific technological background relevant to the reviewed project. It is recommended to describe in detail the following main topics/issues related to the project and the participating companies:

**The Product and the Technology** – What is the extent of technological innovation in the product to be developed? Is the technological approach sound? What are the technological challenges and assessment of the technological risks? What competing technologies exist and what is their relative disadvantage?

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

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

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

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

Both the OCS and the NIST will submit to BIRD the review summary and their recommended grading of the project proposal. The project's grading from the OCS, the NIST and from BIRD will be presented to BIRD's Board of Governors (BOG) and its advisors and will serve as supporting material in the project approval process.

Since the review of the project is based on the proposal document, the reviewers might request from the companies to clarify and expand on topics not sufficiently covered in the proposal, or to relate to comments raised by the reviewer. This request will be conveyed to the applying companies, who will be asked to promptly respond to these specific questions/comments.

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

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

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

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

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

1. Approve a Conditional Grant for a specified sum (never higher than 50% of the project's budget in the proposal);
2. Not approve a Conditional Grant;
3. Delay its decision (in rare cases, the Board will need additional information and will have to delay its decision)

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

## **2.8. Step 8: Financial Status and Funding Resources Clearances**

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

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

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

The financial analysis is based on a short questionnaire completed by the company.

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

## **2.9. Step 9: Bilateral Agreement**

*[Feasible timeframe: To be signed no later than within 3 months after project approval]*

BIRD requires that, prior to the signing of the CPFA (see Step 10, below), a bilateral agreement be in place between the Israeli and U.S. companies participating in the BIRD project. A copy of this "bilateral agreement" should be submitted to BIRD. Please note that in so far as concerns BIRD, in any instance in which a provision of the bilateral agreement contradicts a provision of the CPFA, the provision in the CPFA shall prevail.

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

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

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

## 2.10. Step 10: Preparation and Signing of the CPFA

*[Feasible timeframe: To be signed no later than within 3 months after grant approval]*

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

The preparation of the CPFA commences after the project is approved by the BOG (see Step 7, above). Although it is a standard-form agreement (see Section 5.2.1.), it is customized to any specific project based on information found in the project proposal (Step 4, above), including:

- The effective date of the agreement (referred to as the "preferred date for project start", taken from the proposal cover page);
- The project duration (taken from the proposal cover page);
- The project title (taken from the proposal cover page);
- The project managers from both companies (taken from Section H of the proposal);
- Mailing and office addresses of both companies (taken from the proposal cover page);
- The program plan (GANTT chart), which constitutes Annex D of the CPFA (taken from Section D of the proposal);
- The project budgets of each company, which constitutes Annex A of the CPFA (taken from Section I of the proposal).

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

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

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

Upon completion of the CPFA preparation by BIRD and execution of Steps 8 and 9 of the application process (see above), BIRD will send 3 copies of the CPFA to the Israeli company for an authorized signature. Once signed, the Israeli company will forward the 3 copies to the U.S. company for an authorized signature, and the U.S. company will return all 3 signed copies to BIRD. After being signed by BIRD's Executive Director, we will return a copy to each company.

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

## **3. Proposal Preparation Guidelines**

### **3.1. Introduction**

Discussions with BIRD staff, visits by BIRD representatives to either or both companies, joint submission of the Executive Summary of Project Proposal by the two companies and a positive review of the Executive Summary by BIRD's staff all precede submission of a formal proposal. However, while impressions gained from these contacts are important, in the final analysis, the formal evaluations and decisions are based primarily on the formal proposal submitted by the two companies. The following guidelines for full-scale and mini-project proposals are to be strictly followed:

NOTE: *BIRD's dealings with the companies are treated confidentially, including the evaluation of proposals for full-scale projects by the two outside organizations responsible for conducting such reviews (see Sections 5.2.2. and 5.2.3. for typical Confidential Disclosure Agreements).*

### **3.2. Executive Summary of Project Proposal**

Following preliminary discussions with BIRD staff regarding the suitability of the intended project, the companies will be requested to jointly complete and submit an "Executive Summary of Project Proposal". For either a full-scale project or a mini-project, the Executive Summary should comply with the following sections and include the information requested, in addition to company/product brochures. It should be 4 pages in length.

NOTE: *By request, BIRD's staff will review a draft of the Executive Summary before it is signed by the authorized persons and officially submitted to the Foundation. This preliminary review will address only the adequacy of information and level of detail required in the Executive Summary, and not the compliance of the companies or project with BIRD's criteria.*

**Executive Summary of BIRD Project Proposal**  
**(Maximum 4 pages)**

	Israeli Company	U.S. Company
Full company name		
Company locations (headquarters and relevant division address, including full street address, state, city, zip code) – not only P.O.Box		
Company website		
Year established		
Revenues: most recent fiscal year _____	\$ million	\$ million
Increase / (Decrease) over previous year	%	%
Number of employees		
Ownership (Public / Private)		
Percentage ownership of the company by the other company		
Relationship of the companies – - Parent/Subsidiary - Common Ownership - No common relationship - Other		
Number of previous BIRD projects		

Israeli Company Registration Number	
U.S. Company DUNS Number	

Expected project title	
Estimated project budget	\$
Expected project duration	months

- 1. Abstract:** A summary, **no more than 15 lines**, describing the essence of the project and its expected outcome. The abstract should be self-explanatory to someone who has no previous knowledge in the field.
- 2. Company Background:** Describe the major technical, marketing and financial assets and strong-points of each one of the two companies that are relevant to the successful completion of the proposed development project, and to its successful commercialization. Describe the characteristics and qualities possessed by each company that would make it a good strategic partner to the other company.
- 3. The Innovation:** Provide a concise description of the product / technology to be developed within the project, including its uniqueness, its innovation, and how it will satisfy market needs that are not met today.
- 4. Collaborative Relationship:** Describe the anticipated role of each company during the development project and during product commercialization. Indicate approximately how the development budget will be split between the two companies, and from where the non-BIRD portion of the project expenses will be obtained. Describe what the expected basis and arrangement between the two companies regarding sharing of profits and other benefits during commercialization.

5. **Commercial Potential:** State the estimated relevant market size for the developed product, and the expected market share after 1-3 years of commercialization. (Please indicate the sources employed in deriving this forecast.) Estimate the volume and the total \$ value of direct sales revenue expected to result from the developed products over each one of the first 3 years of commercialization.

Calendar year:	20xx	20xx	20xx
Target market size for developed product (M\$):			
Estimated market share (%):	-	-	-
Estimated sales quantity (units):	-	-	-
Estimated representative unit price (\$/unit):			
Estimated sales revenue (K\$):			
Estimated cumulative sales revenue (K\$):	0	0	0

**Authorized Company Officials:**

**Israeli Company**

**U.S. Company**

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

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

Typed Title: \_\_\_\_\_

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

Tel. no.: \_\_\_\_\_

Typed Email address: \_\_\_\_\_

Cell phone no.: \_\_\_\_\_

**Contact Person Details:**

Signature

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

Typed Title: \_\_\_\_\_

Tel. no.: \_\_\_\_\_

Typed Email address: \_\_\_\_\_

Cell phone no.: \_\_\_\_\_

Signatures above do not constitute a legal commitment on the part of either party to undertake the project herein described. Such commitment, if made, will be subject to a separate agreement.

### **3.3. The Project Proposal**

Following meetings with BIRD staff in which the proposed program is discussed and after an Executive Summary of Project Proposal receives a positive review by BIRD staff, the applying companies should jointly submit their Project Proposal for review by BIRD staff, according to the following guidelines.

Experts from the Office of the Chief Scientist (OCS) of Israel's Ministry of Economy (former Ministry of Industry, Trade and Labor) and from the U.S. National Institute of Standards and Technology (NIST), who are contracted to evaluate full-scale project proposals, review the soundness of the technical approach, the quality of effort that will be applied, the business/marketing opportunities and the quality of the document. The purpose of BIRD's review is to ensure that the proposal is sufficiently detailed to enable the outside reviewers to perform a meaningful and critical evaluation of the proposed program. This "internal" review process will be carried out promptly and will result in the forwarding of detailed comments to the companies. These comments will relate to those sections of the proposal that, in the opinion of BIRD staff, need to be modified before the proposal can be submitted to OCS and NIST. After the proposal is satisfactorily modified, BIRD will advise the companies regarding formal submission of final copies of the joint proposal.

There are three major parts to the proposal:

1. Product description and the innovation in the product (see Section D).
2. Description of project execution and the cooperation between the companies – Proposed Approach – (tasks and milestones, see Section E); program plan in MS Project Gantt Chart (see Section F); cooperation between the companies (see Section I); project organization and management (see Section J); the companies and their resources (see Section K) and the project budget for each company (see Section L).
3. The marketing and commercialization plan and prospects (see Sections G and H).

**The following is a detailed description of the required contents of each section.**

**BIRD expects the applicants to fully comply with the instructions, including provision of all the information requested, full compliance with the template and format, with section numbering/designation and section captions/titles.**

#### **A. Cover Page (see next page)**

## Project Proposal Cover Page

### Proposal

**To:** Israel-U.S. Binational Industrial Research and Development Foundation

**From:** Israeli Company (as appears in the Certificate of Incorporation):

Office Address -

Mailing Address -

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Main Telephone No. \_\_\_\_\_

Fax No. \_\_\_\_\_

**From:** U.S. Company (as appears in the Certificate of Incorporation):

Office Address -

Mailing Address -

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Main Telephone No. \_\_\_\_\_

Fax No. \_\_\_\_\_

**Project Title:** \_\_\_\_\_

**Project Duration:** \_\_\_\_\_ months

**Project Budget:** \$ \_\_\_\_\_ <sup>(1)</sup>

Submitted by: **Israeli Company**  
**Authorized Company Official**      **U.S. Company**  
**Authorized Company Official**

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

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

Title: \_\_\_\_\_

E-mail: \_\_\_\_\_

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

<sup>(1)</sup> Project Budget – must be the same as the sum of the companies' budgets

**Preferred date (month / year) for start of project funding** <sup>(2)</sup> \_\_\_\_\_

<sup>(2)</sup> Do not request a start date prior to the date of the final proposal submission.

**ALL THE REQUESTED INFORMATION IS MANDATORY.  
DO NOT MAKE ANY CHANGES TO THE FORMAT.**

**B. Table of Contents** (including page numbers). The section numbering must be adhered to.

**C. Executive Summary**

Please insert here the complete Executive Summary of the Project Proposal you submitted previously, as described in Section 3.2. above. (There is no need to include the signatures of the authorized company officials here).

NOTE: *If the Executive Summary previously submitted contains information which has been updated, please revise it accordingly.*

**D. The Innovation**

This section should address the following:

How are things done in this area today? What is the current state-of-the-art for the target markets?

1. What are the limitations of the current technologies in the market? This is your opportunity to elaborate on the shortcomings that exist in the proposed product area as a prelude to the description of the innovation and how it overcomes these shortcomings. Current limitations could include: high cost, non-optimal performance, lack of attention to specific market segments, i.e., poor suitability to high- or low-end markets, size, compatibility, nonconformance to standards, etc.
2. What is the product concept? Sketches, diagrams and tables should be included to help describe the innovation. This description should clearly identify in which way the innovation overcomes current limitations.
3. Is this a unique product? Why do you believe it will be successful? How will the product differ from those on the market today?
4. What is the patent situation, including background patents and the potential for new patents?
5. Which regulatory and technical standards are relevant to the developed product? Will the proposed product meet current and/or emerging standards?
6. Are there any obligations to other government agencies (such as the OCS, the NIH or the NIST), which have supported any part of the innovation development thus far?

## **E. Proposed R&D Program**

This section of the proposal is to be organized in two parts: "Analysis of the Problem" and "Proposed Approach":

### **E.1. Analysis of the Problem**

The purpose of this section is to establish a credible basis for the proposed program, with the intent of identifying specific problem areas. These are the problems or difficulties which need to be solved/overcome in order to achieve the program objectives. For example, at the start of the BIRD project, the companies are at Position A, which relates to the current limitations previously highlighted in Section B of the Proposal. By the end of the project, at the point of commercial readiness, the companies expect to be at Position B. What specific problems must be solved or overcome in order for the companies to reach Position B, consistent with the project budget and timetable? Clearly, these problems and their resolutions should be considered by the companies in formulating their Proposed Approach and in defining the Program Plan.

The problems may focus on a variety of technical issues: In some cases, the problems may relate to the need for fundamental technological breakthroughs in order to develop a currently non-existing product. In others, the technological problems may be relatively straightforward, with key issues relating to product integration into an existing line or management of a complex, inter-disciplinary, multi-task project. Items to be addressed in this section include:

1. Definition of the required properties and functions of the end product that will be used in the market environment. Often, this is referred to as the "spec. sheet". This is the Position B referred to previously in this section. What market input has contributed to formulating the end-product characteristics?
2. Identification and description of the challenges associated with realizing the required properties and functions. This is an in-depth discussion of the technological issues that must be addressed in order to achieve the program's objectives. The companies should indicate here the technological resources they have at their disposal to accomplish this.

### **E.2. Proposed Approach**

1. A general plan of the proposed effort, setting the stage for the following, more detailed task descriptions. This overall plan includes the milestones that need to be reached in order to realize the program's objectives; in other words, "what has to be done". These should be straightforward descriptions, with no discussions as yet, of how you anticipate tackling the problems in order to get from Position A to Position B.
  2. Description of the techniques and methods to be used for developing the product. This should include relevant experience in developing similar products, to illustrate the existence of a valid experience base.
  3. Any technical or economic constraints.
  4. Identification and detailed description of each task. This is the heart of the technical part of the proposal, stating the objective and contents for each task, the resources required and the company (or consultant or subcontractor) with primary responsibility for the task.
    - a. Define up to 25 specific and measurable tasks to be carried out throughout the development phase of the project. Number and name of each one of the tasks.

NOTE: *There must be complete consistency in the numbers, names and assignment of the tasks listed here and those listed in the program plan (see Section E) and project budget (see Section L), below.*

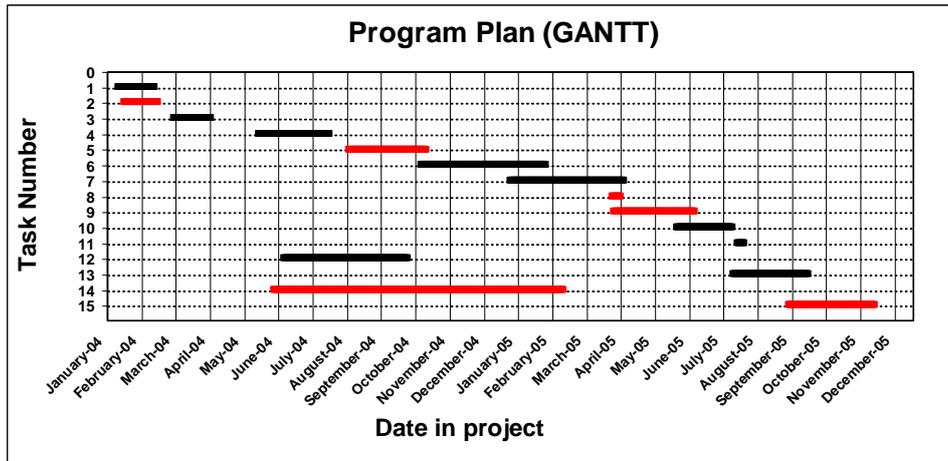
- b. Describe, for each task, the specific approach that will be employed, i.e., how to get from Position A to Position B. Detail the specific techniques to be used to solve the previously identified problems. Thus, in this section, the companies demonstrate that not only are they aware of the state-of-the-art in their industry (D.1.) and the limitations of current practices (D.2.), but they also have an innovative idea (D.3.), understand the challenges associated with developing the idea to commercial readiness (E.1.) and know how to deal with the major obstacles. For each task, provide supporting information which justifies the specific approach, where appropriate.
- c. Since the final objective is a product or process, tasks addressed should include compliance to standards (or why the product will not comply with relevant standards), prototyping, regulatory approvals, beta testing, exhibitions, marketing activities, documentation, etc. For those tasks relating to "testing", for example, details should be given as to what is to be tested, how many tests are needed, test objectives, test methodology, expected results, etc., rather than writing "tests will be performed".
- d. Discuss alternate approaches to resolving problems and the basis for selecting the preferred solution. Even if a preferred solution has not yet been identified, the various alternatives should be reviewed, along with their pros and cons.
- e. For each task, describe which of the two companies will be responsible for its execution. If the companies will share responsibility for a particular task, include the approximate % of the overall responsibility assigned to each company.

## **F. Program Plan**

The Program Plan should consist of a chronological schedule of program activities, defined as tasks and presented in graphical form (MS Project GANTT chart). The chart should indicate clearly the estimated time required for the completion of each task, in addition to milestones. The tasks listed here should coincide with those described in Section E.2., both in assigned number and name. The plan should encompass the entire duration of the development program and should include all activities that must be performed until commercial readiness.

For each task, show which of the two companies will be responsible for its execution. If the companies will share responsibility, include the approximate % of the overall responsibility assigned to each company.

If the Program Plan comprises several pages, a one page summary GANTT chart must also be submitted. The employment of a GANTT chart should be generated using Microsoft Project®. An example of a GANTT chart is illustrated below: (Kindly provide as much information as possible, including company names, dates, % of task for each company, etc.)



Israeli company's responsibility
  U.S. company's responsibility

Should the project be approved, the Program Plan will be incorporated into the Cooperation and Project Funding Agreement and will be used by the Foundation in monitoring project progress.

## G. The Market

Although we are aware of the uncertainties implicit in predictions of future markets and possible competition for any new product or process, we need to be convinced that the companies have made a thorough analysis of the market and its current trends. Such an analysis will typically include the following considerations, which should be addressed in this section of the proposal:

1. Which market needs are served? Are either/both companies currently active in developing, manufacturing and selling similar types of products in this market? What is the basis for those market needs?
2. What performance features and selling price, and hence manufacturing cost, must be achieved to penetrate this market? Provide the basis for the manufacturing cost and enough information to enable the reviewers to determine the likelihood of achieving the target cost. How does this cost compare with those of other, similar products developed and sold by the companies? Identify any key aspects of the technical development which could adversely affect realization of the target manufacturing cost and describe the fall-back options. If the product is part of a system not to be developed within the BIRD project, indicate the leverage afforded for sales of the overall system by the proposed product and include a comparison of the manufacturing cost of the proposed innovation to that of the entire commercial system.
3. What is the total currently available market for the product (in physical units and in US \$)? What is the current position (market share) of the companies in this market? What is the expected growth rate of this market over the effective sales window of the product being developed and what is the basis for this projection? What events could significantly alter this projection?
4. What market share is expected to be captured in the first year of market entry and over the product sales lifetime? How many units does this represent in each year of sales? What is the unit selling price (to third parties) of the product to be developed? How will the unit selling price change from the year of the product launch to subsequent years? A well-constructed series of tables is essential, providing a full breakdown and explanation for Line S (Product Sales) of the Cash Flow Analysis (see Section H.2. below).

5. Additional pertinent market information, such as product brochures, expressions of interest from potential customers in the products or processes to be developed, marketing agreements, etc., should be included.
6. What barriers, i.e., regulatory, might be encountered and how will they be overcome?
7. What competition exists or can be expected? Who are the companies, what are their products, performance and prices? Provide an evaluation of the impact of competition on the commercialization of the proposed product.

This is not a complete list. The companies should present whatever additional market information they consider relevant. The quantitative estimate of the above market size and share of the above revenue forecast should be summarized in the table below (identical to the updated Executive Summary chapter, above):

Calendar year:	20xx	20xx	20xx
Target market size for developed product (M\$):			
Estimated market share (%):	-	-	-
Estimated sales quantity (units):	-	-	-
Estimated representative unit price (\$/unit):			
Estimated sales revenue (K\$):			
Estimated cumulative sales revenue (K\$):	0	0	0

Mandatory input:

Optional (but recommended) input:

## H. Commercialization – Plans and Prospects

### H.1. Product Manufacturing, Marketing and Sales Activities

In addition to a promising market potential, a solid commercialization program needs to be planned and implemented. Some of the questions to be discussed are:

1. Will both companies be engaged in production? What are the existing manufacturing facilities and how can the proposed product manufacturing be incorporated into the existing infrastructure? If product manufacturing is planned to be outsourced to subcontractors, which of the two companies will have the major responsibility for the product manufacturing function? List a few potential manufacturing subcontractors that could be outsourced.
2. Which of the companies will be responsible for marketing, sales and sales support of the developed product and in which market regions? What are the current sales activities of the companies in the primary target regions for the proposed product?
3. Do either or both companies currently have a suitable sales and service network? If there is such a network, it should be described. Alternatively, does such a network need to be created from scratch? If so, describe the process by which the companies plan to establish such a network and the resources required.
4. Considering the maximum cash requirements based on the cash flow analysis, to what extent are the necessary resources – financial or other wise – available within the companies? If any additional resources will be required, how will they be mobilized? Describe all relevant potential sources.

### H.2. Cash Flow Analysis

A preliminary financial analysis which indicates the potential economic gain from successful implementation of the proposed project should be made using the Cash Flow Analysis. For our purpose, we wish to know how the companies have analyzed the financial exposure and potential return that they expect from the proposed project. What are the estimated investment cash flow and the projected earnings cash flow? Can the companies reasonably cope with the peak and aggregate investments that commercial success will entail?

A cash flow analysis of the proposed project is required in order to generate from it 3 main economic indicators that are essential in assessing the economic viability of the project: The joint project's estimated Internal Rate of Return (IRR), Net Present Value (NPV) and Payback Period (PBP). Please include in your proposal both the cash flow analysis table (see below) and an analysis of the resulting values of the above three economic indicators.

Set out hereunder are step-by-step instructions on how to prepare the cash flow analysis, with reference to the accompanying chart, illustrating a sample project (see below):

NOTE: *The cash flow analysis is an Excel spreadsheet and is available from BIRD as an e-mail attachment or it can be downloaded from BIRD's website.*

The eight-year period used in the chart below is chosen to cover the development phase (1 to 3 years) and sales growth to a peak, followed by a drop in sales as the product becomes obsolete. It is important that the whole life-cycle of the product be considered, since the concept of liquidating the venture in the last year is used in calculating an Internal Rate of Return (IRR). Shortening of the period under review can lead to results which are quite misleading. However, a period of eight years should only be used if it is relevant for your particular case.

NOTE: In the cash flow table below and in the spreadsheet, the mandatory input cells are highlighted in yellow. The cells highlighted in blue are input cells with default values which can be overridden. In the explanations below, lines requiring input data are underlined>.

**Cash Flow Analysis: Sample Calculation**

No.	Cash-Flow component	Derivation	N = No. of Years							
			2004	2005	2006	2007	2008	2009	2010	2011
Y	Calendar year	1st Calendar Year								
	Project year		1	2	3	4	5	6	7	8
Q	No. of units sold (Units)	estimate			6,000	7,000	9,000	10,000	8,000	5,000
P	Product Price (\$/unit)	estimate			1,000	950	900	900	800	800
S	Product Sales (K\$)	=QxP or estimate		0	6,000	6,650	8,100	9,000	6,400	4,000
M%	Manufacturing Cost (% of sales)	30%		30%	30%	30%	30%	30%	30%	30%
M	Manufacturing Cost (K\$)	=M% x S		0	1,800	1,995	2,430	2,700	1,920	1,200
O%	Operating Expenses (% of sales)	35%		35%	35%	35%	35%	35%	35%	35%
O	Operating Expenses (K\$)	=O% x S		0	2,100	2,328	2,835	3,150	2,240	1,400
D	Development Expenses (K\$)	estimate	700	900						
C	Capital Expenses (K\$)	estimate		700	300					
E	Depreciation (K\$)	linear over 5 yrs	0	140	200	200	200	200	60	0
I	Before Tax Income/Loss (K\$)	=S-M-O-D-E	(700)	(1,040)	1,900	2,128	2,635	2,950	2,180	1,400
T1	Cumulative Losses carried over (K\$)		(700)	(1,740)	0	0	0	0	0	0
T2	Taxable Income (K\$)		0	0	160	2,128	2,635	2,950	2,180	1,400
T%	Income Tax Rate (%)	32%	32%	32%	32%	32%	32%	32%	32%	32%
T	Income Tax (K\$)	=T% x T2	0	0	51	681	843	944	698	448
OF	Operating Cash Flow (K\$/Yr.)	=I+E-T	(700)	(900)	2,049	1,647	1,992	2,206	1,542	952
W%	Working Capital (% of sales change)	25%		25%	25%	25%	25%	25%	25%	25%
W	Working Capital Change (K\$)	=W% x (S <sub>n</sub> -S <sub>n-1</sub> )		0	1,500	163	363	225	(650)	(600)
V	Residual Value of Assets		0	0	0	0	0	0	0	1,000
AF	Total Annual Cash Flow (K\$)	=OF-C+W+V	(700)	(1,600)	249	1,484	1,629	1,981	2,192	2,552
CF	Total Cumulative Cash Flow (K\$)		(700)	(2,300)	(2,051)	(567)	1,062	3,043	5,236	7,788
R	Annual Discount Rate (%)	15%								
DAF	Annual Discounted Cash Flow (K\$)		(609)	(1,210)	164	849	810	856	824	834
DCF	Cumulative Discounted Cash Flow (K\$)		(609)	(1,819)	(1,655)	(806)	4	860	1,684	2,519
IRR	Internal Rate of Return (%)	43%								

**LINE Y:** The calendar year corresponding to the first year of the project, which is the year in which the development will start under BIRD support.

**LINE Q:** Number of Units Sold – for each one of the years of commercial sales, enter an estimate of the number of units of products to be sold per year, using the expected market share and total available market over the product sales in life. (This should correspond with your estimate presented in Section F of the Proposal.)

**LINE P:** Product Price – for each one of the years of commercial sales, enter the estimated product price, in \$/unit, giving expression to the change in price over the years as a result of changes in the market environment (optional). (This price profile should correspond with your estimate presented in Section F of the Proposal.)

**LINE S:** Product Sales – if an estimate has been given for the sales quantity (Line Q), and of the sales price (Line P), then Line S is a computed line. Optionally, the annual product sales can be inputted directly, in K\$/Yr., by using either the value of new product or process substitution to prospective customers, the volume of similar products, or market share multiplied by market size. The estimate should be based on market study, research and experience. (This product sales projection should correspond with your estimate presented in Section F of the Proposal.)

**LINE M%:** Manufacturing Cost – enter the estimated direct manufacturing cost of the product, as a % of the product sales (or of the sales price). It is usually between 30-50% and is estimated using either the cost of similar products (processes), the development costs multiplied by an experience-based markup factor, or a detailed breakdown and manufacturing plan. You can enter either a fixed percentage for all years (in the "derivation" column), or enter a specific percentage for each year, expressing changes in manufacturing efficiency or in costs of labor/material with the years (optional).

**LINE O%:** Operating Cost – enter the estimated operating cost of the product as a % of the product sales (or of the sales price). It is usually between 20-35% and is estimated using historical ratios or detailed operating plans for the product (process). Continuing R&D, selling costs, advertising, general and administrative expenses, etc., are typical elements. You can enter either a fixed percentage for all years (in the "derivation" column), or enter a specific percentage for each year, expressing changes in operating costs as volumes change with the years (optional).

**LINE D:** Development Expenses – include all development and start-up expenses for years 1-3 of the cash flow planning period (up to initial commercialization), in K\$/Yr. Estimates should be based either on a comparison with similar developments or on a detailed product (process) development plan.

NOTE: *The total project budget should be included here, not just the portion to be financed by the companies. Likewise, repayments to BIRD should be excluded from the cash flow analysis.*

**LINE C:** Capital Expenditures – include all investments in fixed capital, in K\$/Yr., required to provide for the manufacturing and logistic functions during commercialization, including buildings, manufacturing equipment, vehicles, warehouses, etc.

**LINE E:** Annual Depreciation – (A computed value, given in K\$/Yr.) Computed assuming straight line depreciation of all the capital investment (Line C) over a 5 year period. The depreciation is not a cash- flow component and is included only as an allowance for income tax calculations.

**LINE I:** Before Tax Income/Loss – (A computed value, given in K\$/Yr.) Equals Line S minus Line M minus Line O minus Line D minus Line E.

**LINE T1:** Cumulative losses carried over – (A computed value, given in K\$) Equals the cumulative annual before tax losses (Line I) net of the cumulative annual before tax income (Line I), as long as this computed value is negative.

**LINE T2:** Taxable Income – (A computed value, given in K\$/Yr.) Equals the annual before-tax income (Line I) net of any cumulative losses carry-over (Line T1) and serves as the basis for the calculated income (corporate) tax.

**LINE T%:** Income Tax Rate – enter the applicable income (corporate) tax rate, as a %. You can enter either a fixed percentage for all years (in the "derivation" column), or enter a specific percentage for each year, expressing changes in income (corporate) tax rates due to changes in approved enterprise status, or other expected changes in government policy (optional).

**NOTE:** *The tax rate for the company expected to be responsible for actual product commercialization should be used. Where both companies are expected to have major responsibilities for product sales, a weighted average tax rate should be used, reflecting the tax rate of each company in proportion to the total sales expected for each company.*

**LINE T:** Income Tax – (A computed value, given in K\$/Yr.) Equals Line T2 multiplied by Line T%.

**LINE OF:** Operating Cash Flow – (A computed value, given in K\$/Yr.) Equals Line I minus Line T plus Line E.

**LINE W%:** Working Capital Rate – the estimated annual working capital required to fund inventories and receivables (net of payables), reflecting growing sales. It is estimated as a function of the volume of product sales and expressed as a percentage applied to the changes (increase or decrease) in product sales. The working capital rate is assumed constant throughout the planning horizon and is usually assumed between 25-35%. Use your experience as a base or a detailed plan for the product (process), including carrying times and costs.

**LINE W:** Changes in Working Capital – (A computed value, given in K\$) Equals the working capital rate (Line W%) multiplied by the difference between the current year's sales and the prior year's sales (year N minus year N-1 in Line S). Note that this line is zero if sales do not increase and it is negative when sales decline.

**LINE V:** Residual Value of Assets – (A computed value, given in K\$) This computed value is needed only for calculating the IRR (see below). It equals the cumulative capital expenses (Line C) minus the cumulative depreciation (Line E), plus the cumulative working capital change (Line W) over the whole lifetime of the project.

**LINE AF:** Total Annual Cash Flow – (A computed value, given in K\$/Yr.) Equals Line OF minus Line C minus Line W in all but the last year. In the last year, the same formula is used but Line V is added. This has the effect of liquidating the venture in the last year and selling off all the assets on the books.

**LINE CF:** Cumulative Cash Flow – equals the sum of Line AF cumulatively to date. In the early years of the project this will be negative. The year in which it becomes positive indicates the simple payback period (disregarding time-value of money), in years.

**LINE R:** Annual Discount Rate – Enter the annual discount rate (interest rate, or hurdle rate) by which annual cash flows will be discounted, as a %. The discount rate is used to calculate the discount factor, and it is usually between 10-25%, depending on the technological and marketing uncertainty inherent in the project (the venture's risk).

**LINE DAF:** Total Annual Discounted Cash Flow – (A computed value, given in K\$/YR.) Equals the total annual cash flow of Line AF multiplied by the discount factor, for each year (e.g., for a discount rate of 25%, Line AF in year 1 is multiplied by 0.80, Line AF in year 2 is multiplied by 0.64, Line AF in year 3 is multiplied by 0.51, etc.)

**LINE DCF:** Total Cumulative Discounted Cash Flow – (A computed value, given in K\$) Equals the cumulative value of Line DAF. The cumulative value at the end of the last year of the project (year 8 in the example) is known as the Net Present Value (NPV) of the project (\$2,519K in the example) at a given discount rate (15% in the example). The NPV is one of the economic parameters that has to be presented in assessing the economic viability of the proposed project.

The cumulative discounted cash flow will usually be negative in the first few years. The number of years in which the cumulative discounted cash flow (Line DCF) is negative (4 years in the example) is referred to as the Payback Period (PBP) and is also employed as an economic indicator of a project's risk.

**LINE IRR:** Internal Rate of Return (IRR) – (A computed value given as a %) is the discount rate at which the Net Present Value is equal to zero and is given in the "derivation" column (43% in the example). It is an economic indicator of the project's overall return on investment potential.

## I. Cooperation, Economic and Social Benefits

Previous sections dealt with the proposed division of tasks between the two companies. Please summarize here the projected mode and extent of cooperative activity.

The clear expectation of risk-sharing by both companies during the product development stage and during commercialization is central to BIRD participation. An important factor in evaluating the proposal, therefore, is the extent to which the companies will share in the financial exposure of product development and introduction to the marketplace.

Equally important is the expected benefit to be derived by each company during product commercialization. The general nature of the planned revenue and profit-sharing arrangement between the two companies from sales of the developed product should be presented.

Please elaborate on the agreed-upon roles and risk/profit-sharing business relationship issues in the context of the agreement between the two companies.

Also of importance is the benefit to Israel and the U.S. in the form of new export markets, new employment opportunities, new capital formation, productivity improvements, etc., including social contributions of the project outcome.

## J. Organization and Management Plan

This section should contain a presentation of the proposed management procedures for the program, including the internal review procedures and overall management plan that will ensure, barring unforeseeable circumstances, implementation according to design specifications, on schedule and within budget.

1. Describe the procedures to be implemented to maintain timely communications between each company's project team. Indicate the role of review meetings (when, where, or what purpose, with whom) during the project.
2. Provide an organization chart for the project, identifying each company's project manager and the overall program manager and indicate the relationship of this ad hoc organization to the formal hierarchies in the companies. Identify the program's key project personnel and their responsibilities.
3. Regarding staff – indicate positions to be filled by new employees and identify the status of these staff.
4. Identify the role of key consultants and subcontractors on the organization chart and indicate if a relationship between the consultants/subcontractors and the companies currently exists. Resumes of key consultants should be included.
5. Attach short resumes (up to one page each) of key personnel who will work on the project. The resumes should include each individual's role in the project, i.e., project manager, senior software engineer, field engineer, etc. Include the person's current company affiliation, job title, relevant job experience and significant accomplishments, starting from the most current position. List professional affiliations and committee memberships. Indicate higher education and degrees and provide a listing of relevant publications authored or co-authored.

NOTE: *In the final analysis, the determining factors in the successful commercialization of innovations are the people and the companies involved. The reviewers of the proposal need to see that the experience, education and capabilities of the professional staff are commensurate with the R&D tasks to be performed.*

## **K. The Companies and Their Resources**

Please provide information about each of the companies, including the following:

1. The year in which each company was established, company ownership and principal business of each company.
2. Record of performance in similar/related undertakings. Describe the extent to which products similar or related to the proposed innovation have been developed and commercialized by either company. Describe the track record or history of each company that also substantiates a positive prognosis for this proposed product's successful commercialization.
3. Degree to which the proposed project can be absorbed into the existing structure of each company. To what extent are the staff, equipment, facilities, etc., available for the project? Identify the need to hire staff, obtain (purchase, lease or rent) capital equipment, or expand manufacturing operations.
4. Description of previous projects for which either company received BIRD funding. Indicate the program scope, program duration and outcome in commercial terms, i.e., revenues from commercialization of the BIRD product and repayments to BIRD. Also indicate the future commercial potential of products previously developed in BIRD projects.
5. Relationship of the proposed project to other company projects that receive/have received support from any outside agency for development of the proposed product, such as the OCS, the NIH, the NIST, the DOE, DHS, MOPS and MNIEWR.
6. Financial information validating that the companies have the resources available not only for contributing their share of the project cost, but also to cover the commercialization phase. Public companies can submit annual and quarterly reports rather than specially prepared information. At a minimum, annual revenues expected during the current fiscal year and realized during each of the last two fiscal years should be given, in addition to an indication of the profitability of the company during this period.
7. Number of employees at the home country, at field locations and abroad should be given, along with an indication of changes in the employment picture during the past two years.
8. Description of relevant facilities, equipment, infrastructure, etc., which are expected to be utilized during the project and during product commercialization.

## **L. Project Budget**

### **L.1. Introduction and General Guidelines**

All development expenses directly associated with the project, to be incurred by each company throughout its entire development phase, should be included in the budget (and not only those expenses falling within

the scope of work of the BIRD sponsored portion of the development). However, only those phases of the project up to, but not including, actual production and sales should be included in the budgets.

A separate budget should be presented for each company's activities and should cover the entire duration of the project, as proposed.

BIRD's funding of the project, if approved, begins from the effective start date of the BIRD project, which can be no earlier than the first day of the month in which the final proposal is received at BIRD headquarters, signed by an authorized official of each company. Expenses incurred by the companies prior to the effective start date cannot be recognized by BIRD.

Before starting the budget-building process, you should already have available:

- a. The definition of up to 15 major tasks (activities), including the number and name (short textual description) of each task. These tasks should completely coincide with the tasks defined and described in the section "Proposed R&D Program/Proposed Approach" (Section E.2), above.
- b. The start date and completion date of each task (in day/month/year format), or as a default, the duration (in days) of each task. The tasks should completely coincide with the GANTT chart presented in the section "Program Plan" (Section F), above.

## L.2. Step by Step Explanation on Budget Preparation

In the proposal, each company should prepare its budget in detailed fashion, using the format on pages 38 to 39 for each specific "Task Budget" and the format of the "Total Budget" on pages 40 to 41, below, while referring to the instructions and explanations below.

NOTE: *The detailed budget components, the calculation of these components and the presentation of the budget in the format presented here have been incorporated in an Excel workbook. This workbook is available to the Proposer's (please download it from BIRD's website or ask BIRD staff to supply it to you by e-mail). It is essential that the budgets of each company be prepared and submitted to BIRD in the proposal using this workbook.*

1. Proceed to build your company's budget in the BIRD project using the Excel workbook. You can start the process with any of the tasks and in any order, by activating the corresponding worksheet labeled Task 1 through Task 15 (see pages 38 to 39 for the format of "Task Budget:"). You are asked **to relate only to the input data cells, colored yellow**.

NOTE: *Instructions and comments related to specific expense components and data items are given for items colored light green. You can read the comments by pointing to the specific cell. The instructions and comments are also given below.*

2. Whenever there is a need to define the name of a specific expense, such as the name & profession of a specific employee (in direct labor), the name and purchase cost of a specific equipment item, the name of a specific expendable material, etc., enter the definition in the appropriate location (always in a yellow-colored cell) of the "Total Budget" worksheet. The information you enter in the "Total Budget" worksheet will be copied to and will appear in all the Task worksheets.

NOTE: *If the formats of specific input cells do not provide you enough space to insert a meaningful description of the expense items, please attach an appendix to the budget form containing the referenced full-length description of these expense items.*

3. After defining a specific expense, return to the Task worksheet you have started to work on and complete the input information concerning the specific expense (again, by entering data only in

the yellow-colored cells). Repeat this sequential procedure for all the expense categories relevant to the Task.

4. Follow the procedure described in Section 2-3 above for all the Tasks in your project. The total cost of a Task will be calculated at the bottom of the Task worksheet (including all built-in overhead allowances) and will also appear in the "Tasks Report" summary worksheet, itemized by expense type.
5. The cumulative values of all the expense components in all Tasks will appear in the "Total Budget" worksheet, at the corresponding location of the expense component in the Tasks worksheets.

**NOTE:** *Only the "Total Budget" worksheet (2 pages in total) for each company should be included in Section L of the proposal. Please do not attach the budget worksheets of the individual tasks to the proposal document. The complete Excel workbook softcopy of the "Task Budget", which includes the individual budgets of each task, should be uploaded to BIRD's upload system in parallel with the submittal of the hardcopy.*

### Format of the Proposed "Task Budget" Form

Co. Name: \_\_\_\_\_

Task #: \_\_\_\_\_ Task name: \_\_\_\_\_

PROPOSED TASK BUDGET From date: \_\_\_\_\_ (M/D/Y) To date: \_\_\_\_\_ (M/D/Y)

Task duration: 0 days

Description		Details			Cost (\$)	Total (\$)
<b>I. Direct Labor</b>						
Employee's Name (TBD if yet unknown)	Employee's Profession	Gross Annual Salary* (\$)	% on Task	No. of Days in Task	Cost to Project (\$)	
Empl. 1:		-		0	0	
Empl. 2:		-		0	0	
Empl. 3:		-		0	0	
Empl. 4:		-		0	0	
Empl. 5:		-		0	0	
Empl. 6:		-		0	0	
Empl. 7:		-		0	0	
Empl. 8:		-		0	0	
Empl. 9:		-		0	0	
Empl.10:		-		0	0	
Empl. 11:		-		0	0	
Empl. 12:		-		0	0	
Empl. 13:		-		0	0	
Empl. 14:		-		0	0	
Empl. 15:		-		0	0	
<b>Total, Direct Labor</b>		* Including social benefits			0	
<b>Overhead @ 25%</b>					0	
<b>Subtotal, Direct Labor + Overhead</b>						0
<b>II. Equipment</b>						
Purchased Equipment Description	Purchased Cost (\$/unit)	No. of Units	% On Task	% Annual Depreciation	Depreciation (\$)	
Item 1	-	-		33.3%	0	
Item 2	-	-		33.3%	0	
Item 3	-	-		33.3%	0	
Item 4	-	-		33.3%	0	
Item 5	-	-		33.3%	0	
Item 6	-	-		33.3%	0	
Item 7	-	-		33.3%	0	
Item 8	-	-		33.3%	0	
Item 9	-	-		33.3%	0	
Item 10	-	-		33.3%	0	
<b>Subtotal, Purchased Equipment</b>					0	
Leased Equipment Description	Monthly Lease Cost (\$/unit)	No. of Units	% On Task	Total Leasing Cost (\$)		
Item 1	-	-		0	0	
Item 2	-	-		0	0	
Item 3	-	-		0	0	
<b>Subtotal, Leased Equipment</b>					0	
<b>Subtotal, Purchased or Leased Equipment</b>						0
<b>III. Expendable Materials &amp; Supplies</b>						
Description					Cost (\$)	
Item 1						
Item 2						
Item 3						
Item 4						
Item 5						
Item 6						
Item 7						
Item 8						
Item 9						
Item 10						
<b>Subtotal, Expendable Materials &amp; Supplies</b>						0

## Format of the Proposed "Task Budget" Form (continued)

	<b>PROPOSED TASK BUDGET (cont.)</b>				
Task #:		Task name:			

Description	Details				Cost (\$)	Total (\$)
<b>IV. Travel</b>						
<b>Foreign Travel</b>						
Destination	Purpose	Cost Per Person Per Trip (\$)	No. of Trips	No. of People Per Trip	Duration Per Trip (days)	Cost (\$)
		-	-	-	-	0
		-	-	-	-	0
		-	-	-	-	0
		-	-	-	-	0
		-	-	-	-	0
Subtotal, Foreign Travel			0			0
<b>Domestic Travel</b>						
Destination	Purpose	Cost Per Person Per Trip (\$)	No. of Trips	No. of People Per Trip	Duration Per Trip (days)	Cost (\$)
		-	-	-	-	0
		-	-	-	-	0
		-	-	-	-	0
Subtotal, Domestic Travel			0			0
Subtotal, Travel						0
<b>V. Subcontracts</b>						
Service to be Performed		Name of Subcontractor			Cost (\$)	
					-	
					-	
					-	
					-	
					-	
					-	
Subtotal, Subcontracts					0	
<b>VI. Consultants</b>						
Service to be Performed		Name of Consultant	Hourly Rate (\$/Hr.)	No. of Hours	Cost (\$)	
			-	-	0	
			-	-	0	
			-	-	0	
			-	-	0	
			-	-	0	
			-	-	0	
Subtotal, Consultants					0	
<b>VII. Other Expenses</b>						
Description					Cost (\$)	
					-	
					-	
					-	
					-	
Subtotal, Other Expenses					0	
Subtotal task budget, before G&A Expenses					0	
General & Administrative Expenses (G&A) @ 5%					0	
Total Task Budget					0	

## Format of the Proposed "Total Budget" Form

### PROPOSED PROJECT BUDGET

Company name:   
 Project duration:  months

Description	Details	Cost (\$)	Total (\$)		
<b>I. Direct Labor</b>					
Employee's Name (TBD if yet unknown)	Employee's Profession	Gross Annual Salary* (\$)	% on Project	Cost to Project (\$)	
Empl. 1:	Project Manager		0%	0	
Empl. 2:			0%	0	
Empl. 3:			0%	0	
Empl. 4:			0%	0	
Empl. 5:			0%	0	
Empl. 6:			0%	0	
Empl. 7:			0%	0	
Empl. 8:			0%	0	
Empl. 9:			0%	0	
Empl. 10:			0%	0	
Empl. 11:			0%	0	
Empl. 12:			0%	0	
Empl. 13:			0%	0	
Empl. 14:			0%	0	
Empl. 15:			0%	0	
<b>Total, Direct Labor</b>		* Including social benefits		0	
<b>Overhead @ 25%</b>				0	
<b>Subtotal, Direct Labor + Overhead</b>				<b>0</b>	
<b>II. Equipment</b>					
Purchased Equipment Description	Purchased Cost (\$/unit)	No. of Units	% On Project	% Annual Depreciation	Depreciation (\$)
Item 1			0%	33.3%	0
Item 2			0%	33.3%	0
Item 3			0%	33.3%	0
Item 4			0%	33.3%	0
Item 5			0%	33.3%	0
Item 6			0%	33.3%	0
Item 7			0%	33.3%	0
Item 8			0%	33.3%	0
Item 9			0%	33.3%	0
Item 10			0%	33.3%	0
<b>Subtotal, Purchased Equipment</b>					<b>0</b>
Leased Equipment Description	Monthly Lease Cost (\$/unit)	No. of Units	% On Project	Total Leasing Cost (\$)	
Item 1			0%	0	
Item 2			0%	0	
Item 3			0%	0	
<b>Subtotal, Leased Equipment</b>					<b>0</b>
<b>Subtotal, Purchased or Leased Equipment</b>					<b>0</b>
<b>III. Expendable Materials &amp; Supplies</b>					
Description	Cost (\$)				
Item 1	0				
Item 2	0				
Item 3	0				
Item 4	0				
Item 5	0				
Item 6	0				
Item 7	0				
Item 8	0				
Item 9	0				
Item 10	0				
<b>Subtotal, Expendable Materials &amp; Supplies</b>				<b>0</b>	

**Format of the Proposed "Total Budget" Form (continued)**

Description		Details				Cost (\$)	Total (\$)
<b>IV. Travel</b>							
<b>Foreign Travel</b>							
Destination	Purpose	Cost Per Person Per Trip (\$)	No. of Trips	No. of People Per Trip	Duration Per Trip (days)	Cost (\$)	
Dest. 1			0			0	
Dest. 2			0			0	
Dest. 3			0			0	
Dest. 4			0			0	
Dest. 5			0			0	
Dest. 6			0			0	
Subtotal, Foreign Travel			0			0	
<b>Domestic Travel</b>							
Destination	Purpose	Cost Per Person Per Trip (\$)	No. of Trips	No. of People Per Trip	Duration Per Trip (days)	Cost (\$)	
Dest. 1			0			0	
Dest. 2			0			0	
Dest. 3			0			0	
Subtotal, Domestic Travel			0			0	
Subtotal, Travel							0
<b>V. Subcontracts</b>							
Service to be Performed		Name of Subcontractor	Country Service Given	Cost (\$)			
Subcont. 1				0			
Subcont. 2				0			
Subcont. 3				0			
Subcont. 4				0			
Subcont. 5				0			
Subcont. 6				0			
Subtotal, Subcontracts					0		
<b>VI. Consultants</b>							
Service to be Performed		Name of Consultant & Country Service Given	Hourly Rate (\$/Hr.)	No. of Hours	Cost (\$)		
Consult. 1				0	0		
Consult. 2				0	0		
Consult. 3				0	0		
Consult. 4				0	0		
Consult. 5				0	0		
Consult. 6				0	0		
Subtotal, Consultants						0	
<b>VII. Other Expenses</b>							
Description					Cost (\$)		
Item 1					0		
Item 2					0		
Item 3					0		
Item 4					0		
Item 5					0		
Subtotal, Other Expenses						0	
Subtotal budget, before G&A Expenses						0	
General & Administrative Expenses (G&A) @5%						0	
Total Project Budget for Company						0	
<b>Projected Expenditure, by Segment</b>							
	Segment Duration (months)	% of Total Budget	Projected Expenditure (\$)				
	First segment		0				
	Second segment		0				
	Third segment		0				
	Fourth segment		0				
	Fifth segment		0				
	<b>Total</b>		0	0%	0		

## **I. Direct Labor**

The Gross Annual Salary, an input item, is the actual current salary plus social ("fringe") benefits of employees expected to work on the project. The maximum annual salary (including social benefits for a full-time position) currently recognized is \$100,000 for Israeli companies and \$150,000 for U.S. companies. Typically, in addition to the engineering and technical personnel, the staff includes prototyping, R&D documentation and marketing personnel. NOT to be included are corporate executives, secretarial staff, legal staff, administrative staff or staff engaged in selling activities; such expenses are included in the overhead allowance.

The % on Project, an input item, is the average portion of any given worker's time spent directly on the project throughout the entire project, given as a %.

The Cost to Project, a computed item, is the product of the Gross Annual Salary (including social benefits) X% on project X number of months on the project / 12.

Overhead (O/H), at the rate of 25% on the total direct labor, is a computed item and includes all indirect labor overhead expenses.

## **II. Equipment**

Depreciation – this budget item refers to depreciation allowance on capital equipment employed and not to capital expenditures. The depreciation allowance equals the purchase cost of the equipment item being employed (an input item given in \$/unit) X number of units employed (an input item) X % of the time in which the equipment is employed on the project (an input item) X the annual depreciation rate (in % per year). The annual depreciation rate currently allowed is 33.3%.

The Leasing Cost equals the monthly lease cost or rental cost of capital equipment (an input item given in \$/unit/month) X the number of units leased/rented (an input item) X % of the time in which the leased/rented equipment is employed by the project (an input item) X project duration (in months).

## **III. Expendable Materials & Supplies**

List and describe each major item or groups of related items categorized as expendable materials and supplies.

For any item that is over \$50,000, we ask that you provide a breakdown and more detail.

## **IV. Travel**

Travel expenses should be classified as either foreign or domestic travel. In either case, the trips should be itemized by the destination and the purpose of the trip, which should be described in a few words.

The cost (\$) is the cost per person per trip (an input item in \$) X the number of people per trip (an input item) X the number of trips of the same kind taken throughout the project (an input item). The duration per trip (in days) is just an informative data item.

## **V. Subcontracts**

Please identify each subcontractor, the service to be performed and the cost for each service. Explain the basis for the costs.

For any item that is over \$50,000, we ask that you provide a breakdown and more detail.

## VI. Consultants

Please identify each consultant, the nature of the consulting activity, the hourly rate upon which the charge will be made (an input item given in \$/hr.) and the estimated number of consultant hours (an input item).

For any item that is over \$50,000, we ask that you provide a breakdown and more detail.

## VII. Other Expenses

Typical "Other Expenses" include items such as exhibits, regulatory activities, standards certifications, field trials, patent registration, market surveys or other miscellaneous development-related expenses not covered by any of the previous expense categories.

Please note that patent registration costs are allowable at up to \$20,000 per patent, subject to a maximum of \$25,000 per registration in two continents, with a maximum of two patents (\$40,000 or \$50,000) per project.

For any item that is over \$50,000, we ask that you provide a breakdown and more detail.

General & Administrative Expenses (G&A), computed at 5% over the subtotal budget, represents all operating overhead items such as secretarial services, legal staff, rent, utilities, etc.

## Projected Expenditure, by Segment

The overall project period is organized in (equal, if possible) segments of approximately 6 months each, for the purpose of monitoring, reporting and payment of the conditional grant funds. For each segment in the project, please specify the segment duration (6 months, unless otherwise approved by BIRD) and the estimated relative expenditures for the segment (given as % of the total budget). Please note that the total segments duration must equal the total overall project duration and that the % of total budget for all segments must sum to 100%.

## M. Risk Analysis

1. Use the following tables to describe the main risks of the project.
2. TABLE 1A: Identify at least 5 main risks. The table can be extended to add additional risks, but not more than 10. Number the risks and give each one a short identification name. Keys for probability ranking and for evaluating impacts are provided in the 4 small tables, hereinafter.
3. TABLE 1B: Describe each of the identified risks concisely. Use additional space, if needed for clarity. Risks can be of different types, as exemplified in the explanation to TABLE 1B. Other types may be used by adding them to the explanations.

*Note: The Tables' template can be found as a Word file, downloadable from BIRD's website.  
Do not make any changes to the template.*

**RISK ANALYSIS TABLES**  
 Do not change format (color & font size)

**TABLE 1A**

Risk #	Name/Description	Ranking	Impact		
			Duration <sup>1</sup>	Budget <sup>2</sup>	Commercialization Potential <sup>3</sup>
1					
2					
3					
4					
5					

**TABLE 1B**

Risk #	Name/Description	Type*
1		
2		
3		
4		
5		

\*Type: Technical (T), Project Management/Resources (M), External to the Project (E)

Ranking	Probability of Risk Occurring
High	Above 50%
Medium	30 – 49%
Low	10 – 29%
Very Low	1 – 10%

Impact	Duration <sup>1</sup>
High	Above 6 months
Medium	3 to 6 months
Low	Below 3 months

Impact	Budget <sup>2</sup>
High	Above 20% increase
Medium	10% to 20% increase
Low	Below 10% increase

Impact	Commercialization Potential <sup>3</sup>
High	Above 50%
Medium	30% to 50%
Low	1% to 29%

1. Duration of project extended by the given amount
2. Cost of project increases by the given percentage
3. Forecasted sales in the next 3 or 5 years reduced by the given percentage

## **N. Sundry Information – Mandatory**

To enable the Foundation to prepare the CPFA, see Section 5.1.1. below) on a timely basis following approval of the grant application by BIRD's Board of Governors, please provide the following information in the proposal itself:

Venue for the applicable law governing the CPFA between the companies and the Foundation, i.e., one of the States of the U.S. or Israel, as agreed upon by the companies.

### **Israeli Company**

#### **Project Manager -**

Full name and title: \_\_\_\_\_

Position in company: \_\_\_\_\_

Email address: \_\_\_\_\_

Direct number: \_\_\_\_\_

Mobile number: \_\_\_\_\_

#### **Fiscal Information Official -**

Full name and title: \_\_\_\_\_

Position in company: \_\_\_\_\_

Email address: \_\_\_\_\_

Direct number: \_\_\_\_\_

Mobile number: \_\_\_\_\_

### **U.S. Company**

#### **Project Manager -**

Full name and title: \_\_\_\_\_

Position in company: \_\_\_\_\_

Email address: \_\_\_\_\_

Direct number: \_\_\_\_\_

Mobile number: \_\_\_\_\_

#### **Fiscal Information Official -**

Full name and title: \_\_\_\_\_

Position in company: \_\_\_\_\_

Email address: \_\_\_\_\_

Direct number: \_\_\_\_\_

Mobile number: \_\_\_\_\_

Details of bank accounts to enable the Foundation to transfer the payments to the companies.

**Israeli Company**

- Name of Account
- Account Number
- Name of Bank
- Branch number
- Complete bank address
- IBAN number

**U.S. Company**

- Name of Account
- Account Number
- Name of Bank
- Complete bank address
- ABA Routing number
- SWIFT number

*Certificates of Incorporation – to be provided on separate pages each*

## **4. Report Formats**

### **4.1. General**

As discussed in Section 4.2 and 4.3, technical and fiscal reports must be submitted to and approved by BIRD prior to the transfer of any payment, excluding the initial grant payment made on execution of the CPFA. Although the technical report outline and the fiscal report forms are available as soft copies and can be provided by e-mail, the reports must be submitted to the Foundation in hard copy as well as e-mail. The softcopy versions of the fiscal report and of Part II of the Final Technical Report forms (see Sections 4.2.2. and 4.3.2. below) are in a spreadsheet format, thus facilitating preparation of the report.

Interim technical and fiscal reports are to be submitted within 30 days following the expiration of each interim segment of the project. Final reports are due at the completion of the project. These reports are to be submitted within 60 days following termination of the Project Development. Two examples relating the project duration to the report timing are given on page 48.

Information pertaining to the preparation of Commercialization Reports is contained in Section 4.4

Requests to extend the Project's duration and/or requests for Budget revision – may be submitted at any given time prior to three (3) months from Project's termination date.

### **4.2. Technical Reports**

The purposes of the technical reports are to enable the Foundation to monitor project progress and to assist it in decisions relating to the continued funding of the project. Timeliness, conciseness and a comparison of project progress as stipulated in the Program Plan (Annex D of the CPFA) should be key features of these.

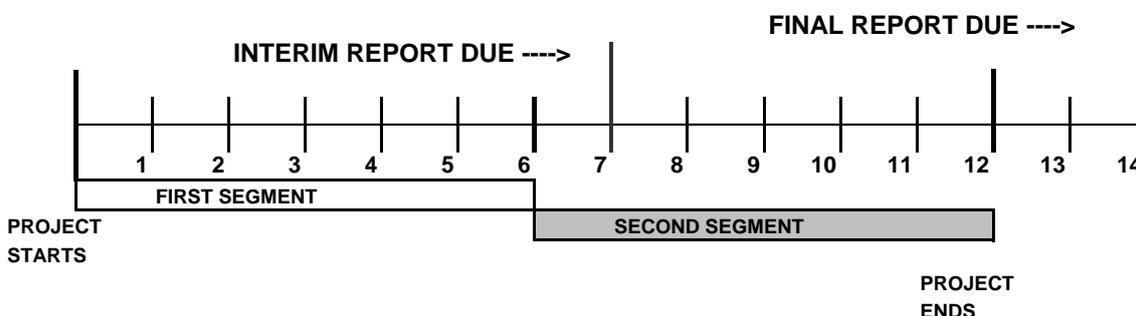
A single technical report is submitted at the completion of each segment, prepared and submitted jointly by the Israeli and U.S. companies and signed in the standard BIRD cover page (given on page 49) by both the Project Manager and the Authorized Company Official of each company. Technical reports that are not properly signed will not be reviewed.

The period of the reporting segment covered in the technical report should coincide with the period covered in the accompanying fiscal reports. The technical report will be reviewed by BIRD only after receipt of the fiscal reports from both companies, covering the same period. This will enable the Foundation to associate completed tasks and activities reported in the technical report to the relevant expenditures reported in the fiscal reports.

Technical reports submitted to the Foundation will be treated as confidential to the extent described in the Confidential Disclosure Agreement, Section 5.1.2. Nonetheless, proprietary or commercially sensitive information should be identified as such.

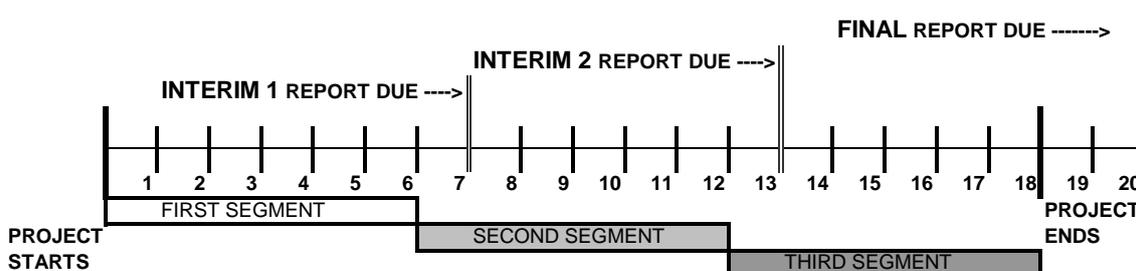
### Project Structure and Report Timing

Project duration: 1 year



Project will have **2 segments** of approx. 6 months each

- Interim report due 1 month after end of 1<sup>st</sup> segment
- Final report due 2 months after end of project



Project duration: 1.5 years

Project will have **3 segments** of approx. 6 months each

- Interim 1 report due 1 month after end of 1<sup>st</sup> segment
- Interim 2 report due 1 month after end of 2<sup>nd</sup> segment
- Final report due 2 months after end of project

#### 4.2.1. Interim Technical Reports

Interim technical reports must follow the outline set out below (format), including the name and numbering of the different chapters.

Sections 3 and 4 are general and should display your broad interpretation of the overall objectives of the project as well as relating to the relevant segment's objectives and accomplishments.

The following three sections thereafter, i.e., Sections 5 and 6 should provide information on a task-by-task basis. The tasks are the ones described in the original proposal in the Gantt Chart (Section D of the proposal) and in the details section (Section C.2. of the proposal) and in the budget.

Reporting on changes or expected changes in the Technical Report is insufficient. Any change from the original proposal should be submitted in a letter signed by both companies to BIRD for its approval.

Standard BIRD technical report cover page (given on page 49).

**Technical Report – Cover Page**

**BIRD Ref. No.:** \_\_\_\_\_

**To:** The Israel – United States Binational Industrial Research and Development Foundation

**Project Title:** \_\_\_\_\_  
\_\_\_\_\_

**Submitted By:**

Israeli Company: \_\_\_\_\_

U.S. Company: \_\_\_\_\_

**Type of Report:** Interim, Final: \_\_\_\_\_

**Project Start Date:** \_\_\_\_\_

**Dates of Reporting Segment Covered:** from \_\_\_\_\_ to \_\_\_\_\_

<b>Project Manager:</b>	<b>Israeli Company</b>	<b>U.S. Company</b>
Signature	_____	_____
Printed Name	_____	_____
Title	_____	_____
E-mail:	_____	_____
Telephone no.:	_____	_____

**Authorized Company Official:**

Signature	_____	_____
Printed Name	_____	_____
Title	_____	_____
E-mail:	_____	_____
Telephone no.:	_____	_____

**Date Submitted:** \_\_\_\_\_

1. Table of Contents - including page numbers

2. Objectives –

State the overall objectives of the project and of the work performed during the segment covered by the report, as defined in the project proposal or in approved changes to the development program plan.

3. Summary of Accomplishments –

Provide an informative summary of the methods, results and accomplishments of the development work conducted in the period covered and compare the actual accomplishments with the objectives stated in Section 3 above. The summary should be self-sufficient and understandable to someone who reads nothing else in the report.

4. Results –

Describe, with reference to the Program Plan submitted in the project proposal (see also Annex D of the CPFA), the results obtained during the reporting segment on an activity-by-activity (task-by-task) basis. Identify and describe results that represent significant variations from the Program Plan. Discuss any activities/tasks that may have been eliminated or added to the Program Plan during the reporting period and give the reasons for such changes. Indicate how such modifications will affect the nature of the product being developed in terms of features, specifications, performance, marketability, time-to-market, etc.

5. Plans for Next Project Segment (for interim reports only)

Show on a task-by-task basis the plan for the next project segment. Describe and justify any rescheduling or additions to activities on the Program Plan for the next project segment and indicate which, if any, of the originally planned activities or tasks are being terminated or redirected. Discuss the impact that rescheduled activities are likely to have on the original Program Plan during the next project segment and if additional time will be needed to complete the project.

*NOTE: If additional time is needed, a separate written request should be jointly submitted by the companies, stating the justification for the request and the number of months requested. Reference could be made to the project status and plans described in detail in this technical report.*

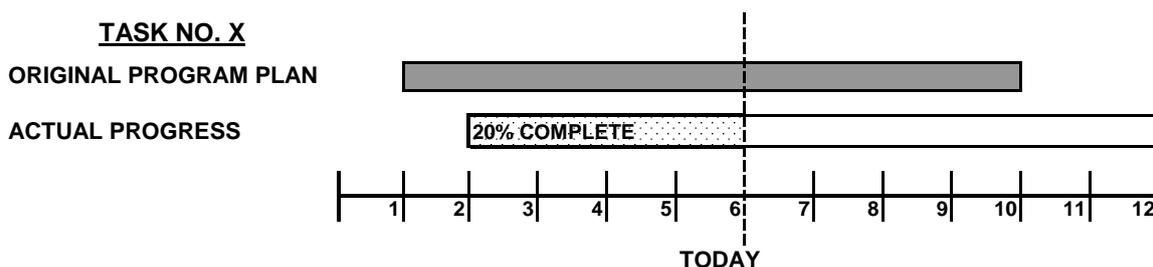
6. Graphical Comparison of Actual/Planned Activities Versus Program Plan

Using the Program Plan (Annex D of the CPFA) and the tasks described there, show graphically (Gantt chart) the actual timing and status of project activities (tasks) carried out thus far and explain deviations from the Program Plan. Likewise, use the Gantt chart of the Program Plan to show graphically the revised planned activities (tasks) for the remainder of the project and explain deviations from the Program Plan. (Explain all symbols used in the plan.) For each task, whether it has been completed, is still being carried out, or is planned later on in the project, indicate graphically in a single chart (1) its original program plan

timing, (2) its actual occurrence and % completion at the end of the reporting segment, and (3) its planned (and maybe re-scheduled) occurrence in the remainder of the project. An example of the format of such Gantt chart is given below:

## Project Schedule Status & Plan

(Compared to Original Program Plan)



7. Cooperation between the Companies

Discuss the communication and coordination activities conducted during the reporting segment that have enabled the companies to keep abreast of each other's progress. Has the division of tasks or responsibilities between the two companies been integrated to mutual benefit? Any problems that have developed in this regard should be noted, along with details of corrective measures that have been taken or are planned.

8. Risk Analysis

- (a) Please insert here the Risk Analysis tables as were presented in the Proposal
- (b) Please insert here updated Risk Analysis tables depicting current project situation (using the instructions and tables below). Add explanations to the differences between the original and the current situations.

9. Market and Commercialization Plans (for interim reports only)

Identify any important changes in the market or your plans for commercialization that have developed during the segment covered by the report. Explain such developments and the impact they will have on the overall development Program Plan and budget and on the overall commercialization plans in terms of potential market size, market share and sales forecast.

10. Published Information

Attach copies of articles written in the professional literature and any press releases related directly to the project. Attach a copy of any reprint (not submitted in a previous report) that is based, in whole or in part, on the work conducted on the BIRD project. Include a report on any inventions or patents filed. Technical and user manuals do not have to be submitted.

### **4.2.2. Final Technical Report**

The final technical report, to be submitted within 60 days following termination of the Project Development, should be in two parts:

Part I: Should be prepared according to the format for Interim Technical Reports, above (excluding Section 5)

Part II: Should describe the outcome of the project in commercial terms, including the market acceptance of the products or processes developed, current sales forecasts for at least the next 3 years, new product opportunities and any further activities planned jointly by the project partners. Compare the current sales forecasts with those made in the project proposal and explain the difference.

Part II should be prepared and submitted using the form on pages 54 to 55 below, which is available as an Excel worksheet (please copy the file from the Tutorial CD for the Technical & Fiscal Reporting Requirements, or download it from BIRD's website).

### **4.2.3. Informal Reports**

In addition to the formal reports required under the CPFA, it is the companies' obligation to report to BIRD significant project events, positive or otherwise. As a contributor to the project, we would like to be kept abreast of its status. In the event of favorable variations or unforeseen problems, our early awareness will enable us to work with the project managers or team in any necessary changes in program activities, including re-scheduling and re-budgeting.

<b><u>Updated Marketing Forecast - Cover Page</u></b>		
<b><u>(Formerly: Final Technical Report - Part II)</u></b>		
<b>BIRD Ref. No.:</b>		
<b>To: The Israel - United States Binational Industrial Research and Development Foundation</b>		
<b>Project Title:</b>		
<b>Submitted By:</b>		
IS Company:		
U.S. Company:		
<b>Project Start Date:</b>		
<b>Development Work Termination Date:</b>		
	<b>Israeli Company</b>	<b>U.S. Company</b>
<b>Project Manager:</b>		
Signature		
Printed Name		
Title		
E-mail:		
Telephone no.:		
<b>Authorized Company Official:</b>		
Signature		
Printed Name		
Title		
E-mail:		
Telephone no.:		
<b>Date Submitted:</b>		

## Final Technical Report - Part II

BIRD Reference # (project #): **1200**  
 U.S. Company Name: **Example of US company**  
 Israeli Company Name: **Example of Israeli company**  
 Project Title: **Example of project title**

**Market A:** Date of report: **7/12/2004**

<b>Product 1:</b>	Product name:	<b>Example of primary product</b>
	Product description, including key specifications, features and performance characteristics:	Example of primary product description
	Extent to which product was developed within the scope of the BIRD project:	Full extent

<b>Market A:</b>	Market / application name:	<b>Example of primary market</b>
	Describe the market and specific applications to which the product will be targeted:	Example of primary market description
	Describe to what extent has this market / application changed relative to the one referred to in the proposal, and why:	No change relative to proposal

**Market A: Forecast of Market Size and Growth rate**

	Year Project			
	Terminated	Year 1	Year 2	Year 3
Calendar year:	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Market size (M\$/yr):	<b>500</b>	525	562	618
Annual growth rate (%):	-	5%	7%	10%

**Product 1: Forecast of Sales / Licensing Revenue in the Project Proposal**  
 (basis of repayments to BIRD)

	Year Project			
	Terminated	Year 1	Year 2	Year 3
Calendar year:	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Annual revenue forecasted in Project Proposal (K\$/Yr):	-	2,500	3,000	4,000
Cumulative revenue forecasted in project proposal (K\$/yr):	-	2,500	5,500	9,500

**Final Technical Report - Part II (continuation)**

BIRD Reference # (project #):	<b>1200</b>
U.S. Company Name:	Example of US company
Israeli Company Name:	Example of Israeli company
Project Title:	Example of project title
Date of report:	7/12/2004

**Market A:**  
**Product 1:**

**Current Forecast of Sales / Licensing Revenue**

Identify and discuss any important changes in your product commercialization plans that have developed during the project and their possible impact on the rate and magnitude of revenues over the next 1-3 years:	No changes in product commercialization plans
--	---

**Product 1:**

	Year Project			
	Terminated	Year 1	Year 2	Year 3
Calendar year:	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Forecasted annual sales / licensing revenue (K\$/yr):	-	1,000	2,000	2,500
Revenue basis for repayment to BIRD (% of revenue, as per CPFA):	90%	90%	90%	90%
Forecasted annual revenue - basis for repayment (K\$/yr):	-	900	1,800	2,250
Cumulative forecasted revenue - basis for repayment (K\$/yr):	-	900	2,700	4,950
Difference between current and proposal forecasts (%):	-	-64%	-40%	-44%

Explain the reasons for any major difference (if any) in forecasted revenue (both in timing and in magnitude) from the original forecast provided in the project proposal:	Example of justification of differences in forecasted revenue
--	---

Discuss the difficulties / threats / uncertainties in marketing / sales that might be faced in the next 1-3 years that might influence the current revenue forecast:	No major difficulties or threats
--	----------------------------------

Discuss any new downstream (1-3 years) product opportunities based on the technology developed in the project:	Example of downstream product opportunities
--	---

Describe any further joint activities planned by the project partners:	Example of further joint activities planned
--	---

## 4.3. Fiscal Reports

### 4.3.1. Introduction

A separate fiscal report must be submitted by each company. The report must be prepared from separate accounting records maintained by each company for recording the entire project expenditures.

The purpose of the fiscal reports is to enable BIRD to monitor actual expenditures on the project and to assist in decisions relating to the continued funding of the project. Accordingly, fiscal reports should be submitted even if the actual expenditures incurred by that company are below budget during the reporting segment. Fiscal report forms in Excel worksheet format, examples of which are included below, will be provided to each company on initiation of the project.

All expenses incurred in a BIRD-supported project must be itemized. Expenditures in all categories should be shown along with the Approved Project Budget as per Annex A of the CPFA. Expenditure is recognized on an accrual basis (when the expense is incurred) provided that payment is made within the standard credit terms received by the company, or at the latest, by the date of the Foundation's audit of the fiscal reports.

The Foundation recognizes expense variations from the Project Budget (without special request) of up to 15% within any of the major budget categories, i.e., Direct Labor, Subcontracts, Consultants, etc. However, at any stage during the course of the project, should the company incur expenditures in a category for which no budget exists, or should the actual expenses relating to any budget category be expected to exceed the budget for that category by more than 15%, and the company wants BIRD to recognize these expenses in place of under-spending in other budget categories, then a request for an amendment to the budget must be submitted (please see section 4.1.). This request should be substantiated by clear and complete explanations and must be submitted for approval by the company together with a revised project budget (in the same Excel spreadsheet format as the original budget included in the Proposal - see pages 40 to 41).

### 4.3.2. Report Outline

*NOTE: Please refer also to the tutorial on the Fiscal/Technical Reporting Requirements, available on CD.*

1. Standard BIRD cover page (given on page 57)

Fiscal reports must include:

- a. Actual Expenditures: total cumulative expenditures incurred by the company from the start of the project to the end of the reporting period.
- b. Budget: total approved budget for the company from Annex A of the CPFA, or approved modification thereto, for the project period.

2. Direct Labor (see format of table on page 58)

- a. Project No. – is the name or number identifying the project in the company's records.
- b. Reporting segment – insert the dates relating to the current reporting segment.
- c. Employees engaged in the project should be identified by name.

## Fiscal Report – Cover Page

(separate report required for each co.)

**BIRD REF. NO.:**

**TO:** ISRAEL-U.S. BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION

**PROJECT TITLE:**

**COMPANY NAME:**

**TYPE OF REPORT:** *(Interim; Final)*

**REPORTING SEGMENT COVERED (dd/mm/yy):** From:  To:

**PROJECT START DATE (dd/mm/yy):**  Number of months in segmen

EXPENDITURE:	\$ U.S. CUMULATIVE <u>ACTUAL</u>	\$ U.S. TOTAL APPROVED <u>BUDGET (per Annex A)</u>	Actual, as % of Budget
Direct Labor	_____	_____	
Overhead @ 25%	_____	_____	
<b>Tot. Direct Labor</b>	_____	_____	-
<b>Equipment (Purchased &amp; Leased)</b>	_____	_____	-
<b>Materials &amp; Supplies</b>	_____	_____	-
<b>Travel: Foreign</b>	_____	_____	
<b>Domestic</b>	_____	_____	-
<b>Subcontracts</b>	_____	_____	-
<b>Consultants</b>	_____	_____	-
<b>Other Expenses</b>	_____	_____	-
<b>Total Expenditures</b>	_____	_____	-
<b>G&amp;A @ 5%</b>	_____	_____	-
<b>Total Company Expenditure</b>	_____	_____	-
<b>Budget for Current Reporting Segment</b>		<input style="width: 50px;" type="text"/>	
<b>Estimated Budget for Next Reporting Segment (if relevant)</b>		<input style="width: 50px;" type="text"/>	
<b>Updated Estimate of Total Budget (as shown in Proposal)</b>		<input style="width: 50px;" type="text"/>	

We confirm that this report is prepared from separate accounting records maintained for recording the entire project expenditures. The Project Manager's signature is his/her confirmation that all the listed items and expenditures were made by the company within the framework of the project .

Printed name and signature:

	Company's Project Manager	Company's Accounting Official	Company's Authorizing Official
Signature:	_____	_____	_____
Printed Name:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Title:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
E-mail:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Telephone no.:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Date Submitted (dd/mm/yy):	<input style="width: 100%;" type="text"/>		



BIRD Foundation Procedures Handbook

PROJECT NO.: \_\_\_\_\_ For the reporting period from: \_\_\_\_\_ Through: \_\_\_\_\_  
 Number of months in segment: \_\_\_\_\_

**IIa. PURCHASED EQUIPMENT (\*)**

Description of Equipment	Date of Purchase	Purchase Price	Percentage used on Project	No. of months used in Project During Segment	Total Charged to Project	Total Previously Reported	Cumulative Total to Date	Approved Contract Budget
	dd/mm/yy	\$	%		\$	\$	\$	\$
					-	-	-	-
					-	-	-	-
					-	-	-	-
					-	-	-	-
<b>TOTAL</b>					\$	-	-	-

(\*) The annual depreciation rate for all equipment types is 33.3%

**IIb. LEASED EQUIPMENT**

Leased Equipment Description	Monthly Lease Cost	No. of Units	Percentage used on Project	No. of months used in Project During Segment	Total Leasing Cost	Total Previously Reported	Cumulative Total to date	Approved Contract Budget
	\$/unit/mo		%		\$	\$	\$	\$
					-	-	-	-
					-	-	-	-
					-	-	-	-
<b>TOTAL</b>					\$	-	-	-

4. Travel: (see format of table on page 60)

Both foreign and domestic travel must be reported with the following details:

- a. Name of employee making the trip.
- b. Dates of travel.
- c. Destination.
- d. A brief description of the objectives of the trip and its relation to the project must be included in the trip expense report. The trip expense reports and vouchers substantiating the expenditure reported should be available at the company for inspection during auditing of the fiscal reports.
- e. The expenses generally accepted are the costs relating to:
  - ✓ Air tickets – for economy of business class travel only
  - ✓ Hotels
  - ✓ Car rental and other transport costs
  - ✓ Daily allowance for meals (rates need to be checked with BIRD each year)
  - ✓ Business meals
  - ✓ Communication

BIRD Foundation Procedures Handbook

PROJECT NO.: \_\_\_\_\_ For the reporting period from: \_\_\_\_\_ Through: \_\_\_\_\_  
 Number of months in segment: \_\_\_\_\_

IV. TRAVEL A) FOREIGN

Name of Person	Dates of Travel		Destination	Total Charged to Project	Total Previously Reported	Cumulative Total to Date	Approved Contract Budget
	from	to		\$	\$	\$	\$
						-	
						-	
						-	
<b>TOTAL</b>			\$				

B) DOMESTIC

Name of Person	Dates of Travel		Destination	Total Charged to Project	Total Previously Reported	Cumulative Total to Date	Approved Contract Budget
	from	to		\$	\$	\$	\$
						-	
						-	
						-	
<b>TOTAL</b>			\$				

5. All other budget items: (see format of tables on pages 60 61)

The expenses reported must be itemized in accordance with the budget.

Documentation requirements for categories listed under item numbers 3 and 5 above are as follows:

- ✓ Proof of relating to the project – the project name or number must be indicated on relevant purchase requisitions, purchase orders or invoices together with the signature of the project manager approving such allocation. Where specific agreements have been signed, e.g., with subcontractors or consultants, a copy should also be available for inspection.
- ✓ Proof of payment – a copy of the check or bank transfer must be provided.

All documentation for all categories of expenditures must be available at the company for inspection during auditing of the fiscal reports.

III. EXPENDABLE MATERIALS AND SUPPLIES

Description of Sub-categories	Total Charged to Project	Total Previously Reported	Cumulative Total to date	Approved Contract Budget
	\$	\$	\$	\$
			-	
			-	
			-	
<b>TOTAL</b>		\$	-	-

BIRD Foundation Procedures Handbook

PROJECT NO.: \_\_\_\_\_ For the reporting period from: \_\_\_\_\_ Through: \_\_\_\_\_  
 Number of months in segment: \_\_\_\_\_

**V. SUBCONTRACTS**

Name of Subcontractor	Service performed	Total Charged to Project	Total Previously Reported	Cumulative Total to Date	Approved Contract Budget
		\$	\$	\$	\$
				-	
				-	
				-	
				-	
<b>TOTAL</b>		\$		-	-

**VI. CONSULTANTS**

Name of Consultant	Service performed	Total Charged to Project	Total Previously Reported	Cumulative Total to Date	Approved Contract Budget
		\$	\$	\$	\$
				-	
				-	
				-	
<b>TOTAL</b>		\$		-	-

PROJECT NO.: \_\_\_\_\_ For the reporting period from: \_\_\_\_\_ Through: \_\_\_\_\_  
 Number of months in segment: \_\_\_\_\_

**VII. OTHER EXPENSES**

Name of Contractor	Service performed	Total Charged to Project	Total Previously Reported	Cumulative Total to date	Approved Contract Budget
		\$	\$	\$	\$
<b>TOTAL</b>		\$		-	-
		<b>Total Expenditures (\$)</b>	-	-	-
		<b>G &amp; A at 5% (\$)</b>	-	-	-
		<b>PROJECT TOTAL (\$)</b>	-	-	-

6. Working Sheet for fiscal reports: (see table on page 62)

A separate working sheet needs to be submitted for each budget item. Within the working sheet for a specific budget item the details of the invoices relating to each sub-category must be reported in separate schedules as shown in the working sheet. The total U.S. Dollar amount for each sub-category must be the same as the amount reported for that sub-category in the fiscal report in the column headed "Total Charged to Project".



## 4.4. Commercialization Reports

Commercialization is reported to BIRD on a semiannual calendar basis. Reports are due within three months following the end of each semiannual period and standard reporting forms are generally sent to the companies during the month following the end of the semiannual reporting period. If commercialization was realized and no reporting forms were received, the standard form on page 63 can be utilized.

Commercialization activities are organized in four primary categories, as detailed in the CPFA:

1. Gross Sales as defined in Sub.Sec.B.3. of the CPFA includes all product revenues from the "...sale, leasing, or other marketing or commercial exploitation of the Innovation, including service or maintenance contracts..." Repayments are made at the stated repayment rate, generally 5%.
2. Revenues derived from the outright sale of the technology or innovation are to be applied to repayment at the rate of 50%, subject to the maximum conditions set forth in Sub.Sec.B.5., as detailed in Section B.5.
3. Revenues derived from License Agreements, as detailed in Sub.Sec.B.6 and Annex E of the CPFA, are subject to repayment to BIRD at the rate of 30%.

It should be noted that cumulative repayments and royalties due BIRD from any and all sources of revenues will not exceed the maximum percentage – as set out in Sub.Sec.B.3.b. of the CPFA – of the grant funds actually awarded the participants, indexed according to Annex C of the CPFA.

Although sales forecast information, as requested in the Commercialization Report is not always easily available, it is needed to enable the Foundation to manage its cash flow. Timely submission of the sales reports and repayments due is essential. Delinquent reporting is viewed with severity and outstanding repayments will bear interest as stated in Sub.Sec.B.4. of the CPFA.

### Commercialization Report

BIRD Ref. No.: \_\_\_\_\_

To: The Israel-United States Binational Industrial Research and Development Foundation

For the period \_\_\_\_\_ to \_\_\_\_\_ (dd/mm/yy)

Company reporting: \_\_\_\_\_

Partnering company in the BIRD project: \_\_\_\_\_

Project Title: \_\_\_\_\_

Date of first sales revenue: \_\_\_\_\_ (dd/mm/yy)

**Semiannual revenue from the developed products, and repayment to BIRD:**

For the period (dd/mm/yy)	Most recent revenue forecast submitted to BIRD for the period ( US \$)	Total revenues for the period – basis for repayment (US \$)	Repayment rate (%)	Repayment due (US \$)
From: _____ To: _____	.....	.....	.....	.....

- List all products in which the “Innovation” is used, in whole or in part, including products not mentioned in the project proposal and including all products reported in the sales report above
- If the products were not developed to commercial readiness, is there a substantial possibility that they will in the future? If yes, when and what does it depend on?
- Has the technology developed in the project also been commercialized by your partnering company to the BIRD project? **Yes/No**
- Was service or maintenance revenue derived from sales of the developed products? **Yes/No** If yes, please include it in the sales report below.
- Please furnish, as an attachment, a separate report on income derived from licensing or sales of the technology developed in the BIRD project

Forecast of semiannual revenue (basis for repayments to BIRD) for the next 4 semiannual periods:

\_\_\_\_\_ to \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ to \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ to \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ to \_\_\_\_\_ \$ \_\_\_\_\_

The undersigned confirm that this report is prepared from the company’s accounting records in which all commercialization activity relevant to the Cooperation and Project Funding Agreement, subject to repayments are recorded and that this report is accurate and true in its contents.

	<b>Company Officer</b>	<b>Accounting Official</b>
Signature:	_____	_____
Printed Name:	_____	_____
Title/Position:	_____	_____
E-mail:	_____	_____
Date Submitted:	_____	_____

## 5. Agreements

### 5.1. Introduction

This section of the BIRD Procedures Handbook describes the contractual agreements involved in the application process for a BIRD grant. Each of these agreements has been referred to in earlier sections of this Handbook. **(All Agreements to be prepared by BIRD personnel ONLY)**

#### “Pharma Model” projects

The BIRD Agreement (CPFA) for “Pharma Model” projects differs from the standard CPFA and is included in BIRD’s website.

#### 5.1.1. Cooperation and Project Funding Agreement (CPFA)

The standard CPFA is the document signed by an authorized officer of the U.S. company, an authorized officer of the Israeli company and BIRD’s Executive Director, following approval of a project. This agreement differs from the business agreement between the companies in that it identifies the responsibilities between BIRD and the Proposer/Participants – the U.S. and Israeli companies – whereas the business agreement documents the understanding between the two companies.

The CPFA is based on vast experience with hundreds of companies that have received BIRD funding in the past.

As noted in the preamble to the CPFA, the Agreement defines the concept of “Proposer” – the pair of U.S. and Israeli companies applying for the conditional grant who are developing the innovation, who expect to share benefits from its subsequent commercialization and who share the responsibility for repayments to the Foundation if, and only if, there is commercialization of the product developed during the project.

The Grant Repayment Schedule – Sub.Sec. B.3.b., of the CPFA – allows the Proposer to benefit from BIRD’s risk sharing without paying any premium on its grant for a full year following completion of project development.

The schedule recognizes early commercialization success by providing for a maximum repayment obligation of 100% of grant funds during the first year after project completion and increasing linearly to 150% over five (5) years unless repaid earlier. The repayment is also indexed according to the U.S. Consumer Price Index as described in Annex C of the CPFA. The following table illustrates this repayment schedule.

Years Following Original Date of Termination of Project Development	Maximum % of Conditional Grant and Other Sums to be Repaid (indexed according to Annex C of CPFA)
1	100
2	113
3	125
4	138
5 and more	150

The repayment rate is typically a straight 5% of sales to third parties until the obligation is satisfied.

BIRD expects to recover its investment by repayments to the Foundation from the Proposer based on revenues generated by one or both companies as a result of commercialization of the product developed in the BIRD project or its derivatives.

In the vast majority of cases, the Proposer makes its repayment to the Foundation from revenues generated from product commercialization according to Sub.Sec. B.3. of the CPFA. Repayments may also be due from the outright sale of the technology under Section B.5. of the CPFA and from License Agreements involving patented inventions or technology developed in whole or in part during the BIRD supported project under Sub.Sec. B.6. and Annex E.

### **5.1.2. Confidential Disclosure Agreement**

Although all nonpublic information disclosed to BIRD by a company is treated as confidential, a Confidential Disclosure Agreement may be signed. Typically, this agreement is prepared by BIRD at the request of one of the companies when proprietary information may be disclosed to the Foundation prior to or during submission of a proposal.

### **5.1.3. Business Agreement between the Companies**

BIRD requires that each pair of companies carrying out a BIRD project enter into a business agreement with each other. A copy of this agreement must be submitted to BIRD prior to the signing of the Cooperation and Project Funding Agreement. This agreement should cover *inter alia*, the following issues:

1. The target objectives, scope and desired results of the joint R&D to be undertaken in the project;
2. The magnitude of the project budget and the sources of funds to finance this budget;
3. The ownership distribution of the Intellectual Property to be generated by the project;
4. The assignment of responsibilities between the two companies for the various functions required in the commercialization of the developed product, such as production, marketing and sales, sales support, etc.;
5. The specifications and transfer prices of products, components or services that will be sold by one company to the other;
6. The basis upon which revenues and profits from commercialization of the developed product/s will be shared between the companies;
7. The distribution of repayment to BIRD between the two companies.

## 5.2. Agreement Examples

### 5.2.1. Cooperation and Project Funding Agreement

(The Cooperation and Project Funding Agreement – CPFA, if project is approved, will be issued only by BIRD and will be transferred to the parties for signing).

#### COOPERATION AND PROJECT FUNDING AGREEMENT

##### PREAMBLE

Agreement made this                      day of                      20    , by and

##### BETWEEN

The ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION, a legal entity created by Agreement between the Government of the State of Israel and the Government of the United States of America (hereinafter referred to as the "Foundation"),

AND

AND

severally and jointly (hereinafter collectively referred to as the "Proposer" and separately as the "Participants").

WHEREAS the Foundation has been established under an Agreement between the Government of the State of Israel and the Government of the United States of America to promote and support joint non-defense industrial research and development activities of mutual benefit to Israel and the United States, and

WHEREAS the Proposer has heretofore submitted to the Foundation a proposal (hereinafter the "Proposal"), entitled "                      " and on the basis of the Proposal has applied to the Foundation for certain funding assistance for the development of the Product therein described; and

WHEREAS the Foundation has examined and duly approved the Proposal and is willing to provide certain funding for the implementation of the Proposal on the terms and conditions hereinafter set forth;

Now therefore the parties hereto agree as follows:

**A. GENERAL**

- A.1. The preamble to this Agreement shall be deemed an integral part hereof.
- A.2. The Participants shall be bound and obliged jointly and severally, as herein provided.
- A.3. The Foundation represents that the Executive Director of the Foundation is empowered by its Board of Governors to execute this Agreement and to perform and cause to be performed all acts under the terms hereof on behalf of the Foundation.
- A.4. The following documents are incorporated by reference and made a part of this Agreement:
- A.4.1. The Proposal, dated the            day of            , 20            , as stamped with the Foundation's approval of the            day of            , 20            . Nonetheless, should any provision of the Proposal be inconsistent with any provision of this Agreement, the provisions of this Agreement shall control.
- A.4.2. BIRD Foundation Procedures Handbook.
- A.5. The following definitions shall apply:

“Affiliate” – is an entity under common control, controlled by or controlling either of the Participants

“Agreement” – this Cooperation and Project Funding Agreement

“Approved Project Budget” – the schedule of expenses contemplated to be spent by a Participant as set out in Annex A

“BIRD Foundation Procedures Handbook” – the most recent version available as of the date of this Agreement or its copy on the Foundation’s website

“Calculation Date” – a point in time at which the calculation of the then current balance due by the Proposer is made

“Commercial Product” – an incorporation or implementation of the Product into a commercial product that can be sold alone or in conjunction with other products or components. Such other products or components so long as not, developed as part of or otherwise derived from the Project, shall not be deemed to be part of the Commercial Product.

“Commercial Transaction” – Gross Sales derived by the Proposer, either Participant or any Affiliate

“Conditional Grant” – funds provided by the Foundation for the implementation of the Proposal

“Foundation” – The Israel-United States Binational Industrial Research and Development Foundation, as referred to in the first paragraph of this Agreement

“Foundation’s pro rata share” – the percentage of the actual expenditures which the Foundation provides

"Full Repayment to the Foundation" – the repayment to the Foundation by the Proposer, and/or either Participant, as the case may be, of their entire obligation(s) pursuant to this Agreement as determined in accordance with Annex C

"Grant Base Index" – the index last published prior to the date of payment of each increment of the grant

"Gross Sales" – the gross revenues derived by the Proposer, either Participant or any Affiliate of either Participant from the sale, leasing or other marketing or commercial exploitation, including service or maintenance contracts, of the Product (other than the Outright Sale to a third party or the licensing of the Product to a third party, as described in Sections B.5.3 and B.6.) or of Commercial Products incorporating or embodying any part of the Product whose development, manufacture, sale or use requires the exploitation of any part of the Product. This term shall include all specific export incentives or bonuses paid to the Proposer on account of sales of the Product for export, but shall not include sums paid for commissions, brokerage, value added and sales taxes on the sale of the Product, or transportation and associated insurance costs, if any of those sums have been included in the gross sale price

"Index" – the U.S. Consumer Price Index, CPI-U

"Indexed Payments" – the result of multiplying each grant payment received by the Proposer by the last known Index on the Calculation Date and dividing by the Grant Base Index

"Indexed Repayment" – the result of multiplying the Repayment received by the Foundation by the last known Index on the Calculation Date and dividing by the Repayment Base Index

"Intellectual Property" – patents, copyrights, trademarks, inventions, trade secrets, confidential information, product design, engineering specifications and drawings, technical information and all types of computer programs

"Interim Reporting Segment" – an interim period of time for which technical and fiscal reports need to be submitted

"Late Payment Interest Rate" – 4% more than the average prime rate prevailing at the JP Morgan Chase Bank, N.Y.C. (or any successor bank to that bank), during the period from the date payment was due until payment is actually made

"License Agreement" – an agreement between the Proposer, or either Participant, or any Affiliate of either Participant and a third party, whereby such third party receives the right to use the Product in exchange for a payment. "License Agreements" shall not include any license agreements, which Proposer, or either Participant, or any Affiliate of either Participant enters into as a necessary, common or convenient means by which products are sold to end-users in the ordinary course of business

"Outright Sale" – the transfer of ownership of the Intellectual Property and/or technology relating to the Product, and/or the Product, in each case in whole or in part, to a third party

"Participants" – the term used for the Israeli Company and the U.S. Company signing this Cooperation and Project Funding agreement

“Product” – the outcome of the development work or any derivative thereof carried out by the Proposer and/or either Participant pursuant to the terms of this Agreement, including patented inventions

“Program Plan” – schedule of program activities as described in the Proposal and as presented in graphical form (GANTT chart) in Annex D

“Project” – the process for the development of the Product with the funding assistance of the Foundation

“Proposal” – the documents submitted by the Participants to the Foundation describing the technical and business aspects of the proposed program

“Proposer” – as defined in the preamble

“Repayment” – the grant repayment due by the Proposer to the Foundation from the Gross Sales derived from any commercialization of the Product, including proceeds derived from the Outright Sale of the Product to a third party or the licensing of the Product to a third party

“Repayment Base Index” – the Index last published prior to the date on which a Repayment is received by the Foundation from Proposer

“Termination of Product Development” – the conclusion of the development of the Product pursuant to and in accordance with the Proposal, including the Product being ready for commercialization

“Termination of this Agreement” – termination deriving from the payment by the Proposer of any and all of its obligations pursuant to Section B, termination resulting from revocation by the Foundation of the Agreement, or termination of the Agreement by the Proposer with the consent of the Foundation.

“Total Indexed Grant” – the result of multiplying the total of the Indexed Payments by the appropriate percentage level from the table shown in Section B.3.1.b

“Total Indexed Repayments” – the total of the Indexed Repayments.

“Transfer of Control” – the transfer of the ability to direct a company's affairs; a person or entity, as the case may be, shall be presumed to be in control of a company if he/she, or it, holds half or more of any means of control in the company, including, without limitation, the ability to nominate or appoint, either alone or together with others, at least half of the directors of the board of the company, or if he/she, or it, has veto rights, whether at shareholders or board level

## **B. PROJECT FINANCING**

- B.1. The Foundation hereby agrees to fund, by Conditional Grant, the implementation of the Proposal in the maximum sum of \$ \_\_\_\_\_ or 50% of the actual expenditures on the Project, as contemplated in the Approved Project Budget, whichever is less, and at the times and as may otherwise be set forth in Annex B hereto.
- B.2. The Proposer shall provide in timely fashion all budgetary funds in excess of those provided hereunder by the Foundation.
- B.3. Proposer shall make Repayments to the Foundation based on Gross Sales.

- B.3.1. The Repayments by the Proposer shall be made on the following basis:
- a) The Conditional Grant shall be repaid in U.S. Dollars at the rate of 5% of the Gross Sales, such Repayments to be in equivalent dollars valued at time of Repayment. The rate of change of value shall be that designated in Annex C hereto.
  - b) When the Proposer shall have repaid the following maximum percentages in equivalent dollars valued at the time of Repayment (as determined in accordance with Annex C) of the Conditional Grant in any of the following years, no additional payments to the Foundation on account of the Conditional Grant shall be required.

Years Following Original Date of Termination of Project Development	Maximum Percentage of Conditional Grant to be Repaid(indexed according to Annex C of this Agreement)
1	100%
2	113%
3	125%
4	138%
5 or more	150%

- B.3.2. The Commercial Product shall be deemed to have been sold, or otherwise commercially exploited, if the Commercial Product, or any part of it, or any improvement, modification or extension of the Commercial Product is put to the benefit of a third party, whether directly or indirectly, and whether standing alone or incorporated into or co-joined with other hardware or processes, and for which benefit the said third party gives something of value. This provision shall not apply to transactions between the Participants or between the Participants and their parents, subsidiaries or other Affiliates unless the transaction relates to the use of the Commercial Product, or any part of it, by any one of the aforesaid as a purchaser, or any improvement, modification or extension of the Commercial Product, for its or any of its Affiliates own use. Should any such parent, subsidiary or other Affiliate resell the Commercial Product separately identified or incorporated in a system, the sales price shall be the price to third parties from the parent, subsidiary or Affiliate making the sale.
- B.3.3. If the Commercial Product or any part of it is a part of another product (not developed as part of or otherwise derived from the Project) sold, or otherwise commercially exploited, the sales price of such product for purposes of calculating Repayments according to Section B.3. shall be that portion of the sales price of that product that is represented by the Commercial Product as may be agreed upon by the Proposer and the Foundation, or if, despite good faith efforts by the Proposer and the Foundation to agree upon said portion of the sales price and the parties have not reached agreement, then as shall be reasonably established by the Foundation. If there shall have been established a market price for the Commercial Product, that market price shall be the basis for Repayments according to Section B.3., notwithstanding the incorporation of the Commercial Product in another product as aforesaid.
- B.4. All Repayments due the Foundation shall be calculated on a semi-annual calendar basis. Sales reports reflecting the actual sales for each semi-annual calendar period as well as a sales forecast for the next two (2) years shall be submitted by each

Participant and certified by each Participant's chief executive officer or, in the case of a publicly traded corporation, the managing officer of the relevant unit of such corporation. Such sales reports shall be submitted even if there have been no sales for such semi-annual calendar period. The sales reports shall accurately represent the amount receivable by each Participant from the Gross Sales of the Commercial Product, and, to the extent applicable, the Product, as well as revenue from any License Agreement as referred to in Section B.6. Any and all material misrepresentation or inaccuracy in said sales reports shall constitute a fundamental breach of this Agreement pursuant to Section I.1. and the Conditional Grant shall be deemed to have been revoked in whole, and the provisions of Sections I.1, I.2., I.3, I.4, I.5 and I.7 shall apply in every respect.

- B.4.1. The sales report together with any payment that may be due shall be submitted within ninety (90) calendar days following the end of each semi-annual period. Repayments to the Foundation shall commence at the end of the semi-annual period during which the first sale was made. All late Repayments shall bear interest at the Late Payment Interest Rate.
- B.5. The Proposer shall not sell outright to a third party any portion of the Product, prior to Full Repayment to the Foundation, without the prior written consent of the Foundation.
- B.5.1. The Proposer shall furnish to the Foundation reasonable prior notice with respect to any proposed sale as referred to in Section B.5., the notice to include the name of the prospective purchaser, the price and the other terms of the proposed sale, and all other relevant information concerning the proposed sale.
- B.5.2. The Foundation shall promptly provide consent to a sale as referred to in Section B.5., after receipt and review of the notice referred to above, provided that its rights pursuant to this Agreement are fully guaranteed to the Foundation's satisfaction, and that the Foundation is satisfied that the proposed sale is at a price and upon terms no less than the actual market value of the portion of the Product. The Foundation shall be entitled in its sole discretion to designate a representative or representatives to review the terms of the proposed sale and to seek to determine the actual market value of the Product, and the Proposer shall cooperate with, and furnish all pertinent information, to any such representative or representatives.
- B.5.3. Should any portion of the Product be sold outright to a third party prior to Full Repayment to the Foundation by the Proposer, by either Participant, or by any Affiliate of either Participant, one-half of all proceeds of the sale shall be applied as received until there has been Full Repayment to the Foundation. If any such sale is (i) in exchange for a non-cash asset or (ii) part of the sale of a group of assets, and no separate value is assigned by the parties to the portion of the Product sold, the Proposer and the Foundation shall seek to agree: as to (i) the value of the asset received; and as to (ii) the portion of the consideration that can be reasonably allocated to the sale. If no such agreement is reached within a reasonable time, or if any value assigned by the parties is in the view of the Foundation not reasonable under all of the circumstances, the matter shall be resolved pursuant to Section M.4. Payments due and not made following receipt of proceeds by the Proposer shall bear interest at the Late Payment Interest Rate. Payments under this Section B.5.3 shall be deemed payments against Proposer's obligations under Section B.3 and, for the

avoidance of doubt, the payments in this Section B.5.3, together with any other Repayments, shall not exceed the maximum percentages set out in Section B.3.1 (b).

- B.5.4. At any time prior to Full Repayment to the Foundation the Proposer shall provide notice to the Foundation, either prior to, or no later than thirty (30) calendar days after any Transfer of Control of either Participant as a result of the sale of shares, or a merger or an amalgamation of either of the Participants with any other company. Any failure to provide notice as provided in this Section B.5.4. within the time specified herein shall constitute a fundamental breach (or breach for cause) of this Agreement pursuant to Section I.1 and, unless the Proposer shall have cured the breach pursuant to Section I.2, the Conditional Grant shall be deemed to have been revoked in whole, and the provisions of Sections I.1, I.2., I.3, I.4, I.5 and I.7 shall apply in every respect.
- B.5.5. In the case of any Transfer of Control of a Participant, or in the case of a merger or amalgamation, all as referred to in Section B.5.4., if the notice by the Proposer called for by Section B.5.4. has been provided in a timely manner, there will be a rebuttable presumption that the Transfer of Control, or the merger or amalgamation, as the case may be, will lead to termination of the Project prior to the Termination of Product Development, or if after the Termination of Product Development, a cessation of marketing of the Product, and as a result any of such events shall be deemed to constitute an Outright Sale of the Product to a third party pursuant to Section B.5.3., notwithstanding any other provision of this Agreement. The foregoing presumptions will be subject to possible rebuttal by the Proposer only by the presentation of suitable detailed evidence to the Foundation to be submitted no later than ninety (90) days after the Transfer of Control, or the merger or amalgamation, as the case may be. The Foundation undertakes to consider any such presentation of evidence made in a timely manner as provided herein in good faith, and to decide in which instances to agree that the Transfer of Control, or the merger or amalgamation, as the case may be, shall not be deemed to be equivalent to such an Outright Sale. In all other cases, the Transfer of Control, or the merger or amalgamation, as the case may be, shall be deemed to constitute such an Outright Sale.
- B.6. If the Product becomes the subject of any License Agreement between Proposer, either Participant, or an Affiliate of either Participant, on the one hand, and a third party, on the other hand, Proposer shall pay to the Foundation 30% of all payments received by it or by any other such company under such License Agreement. Payments under this Section B.6. shall be deemed payments against Proposer's obligations under Section B.3. and, for the avoidance of doubt, the payments in this Section B.6., together with any other Repayments, shall not exceed the maximum percentages set out in Section B.3.1(b)

**C. CONDUCT OF THE PROJECT**

- C.1. The Proposer agrees to do the work set out in the Proposal in accordance with good standards relevant to such undertakings, and shall expend funds received hereunder only in accordance with such Proposal and the requirements of this Agreement.
- C.2. The Proposer agrees to comply with the Program Plan as set forth in Annex D.
- C.3. The Proposer hereby appoints \_\_\_\_\_ as Israel project manager and \_\_\_\_\_ as U.S. project manager for the implementation of the project during the period of this Agreement and in accordance with the Program Plan.

- C.4. The Proposer shall not make substantial transfers of funds from one budget item to another, change key personnel or their duties and responsibilities, or diminish their time allocated to the proposed work hereunder without prior written approval by the Foundation, which approval shall not be unreasonably withheld.
- C.4.1. Should any key person be absent from work, or should such absence be expected, for 90 days or more, or should there be any significant reduction in the total personnel force assigned the project under the Proposal, the Proposer shall forthwith notify the Foundation.

**D. REPORTING REQUIREMENTS**

- D.1. The Proposer shall submit to the Foundation, in writing, the following reports:
  - a) interim fiscal and technical reports to be submitted simultaneously within 30 days following the expiration of the first -month period;
  - b) final fiscal and technical reports to be submitted simultaneously within 60 days following Termination of Product Development.
- D.1.1. Any failure to submit reports in a timely fashion pursuant to Section D.1 shall be deemed a fundamental breach and a breach for cause pursuant to this Agreement.
- D.1.2. The reports to be submitted pursuant to this Section D shall be in form and substance in accordance with the most recent Formats for Technical and Fiscal Reports, as shown on the Foundation's web site.
- D.2. Proposer shall provide to the Foundation at Proposer's expense, briefings on the progress of the work hereunder, within 45 days following any request from time to time by the Foundation. Such briefings shall be in accordance with such form and detail as the Foundation may reasonably request.
- D.3. All the reports referred to in Section D.1 shall accurately represent the status of the Project, including, without limitation, the level of cooperation between the Participants and the progress of the development work of the Product. Any and all material misrepresentation or inaccuracy in any report shall constitute a fundamental breach of this Agreement pursuant to Section I.1 and the Conditional Grant shall be deemed to have been revoked in whole, and the provisions of Sections I.1, I.2., I.3, I.4, I.5 and I.7 shall apply in every respect.

**E. PUBLICATIONS**

- E.1. In any publication in scientific or technical journals of data or other information derived from the work hereunder, or any publication related to the work, and/or marketing and/or promotion of the Product but not including product literature or manuals, the support of the Foundation shall be acknowledged.
- E.2. To the extent so required to permit the Foundation free dissemination of such publications or information, which the Foundation is privileged to disseminate, subject to the limitations of Section F, the Proposer shall be deemed hereby to waive any claim or rights with respect to such dissemination.
- E.3. The Proposer shall furnish to the Foundation two (2) copies of all publications resulting from Foundation-supported work as soon as possible after publication.

**F. PROPRIETARY INFORMATION, INTELLECTUAL PROPERTY**

- F.1. Proprietary information, clearly identified as such, submitted to the Foundation in the Proposal, in any report or verbally, or obtained by Foundation personnel observation pursuant to any request or briefing, shall be treated by the Foundation as confidential. At the request of Proposer or either Participant, a confidential disclosure agreement may be entered into separately by the parties. Nothing contained in the foregoing shall restrict the right of the Foundation to make public the fact of the Foundation's support for the Project, and the identification of the Participants therein. The details of any such publication, except for those permitted by the immediately preceding sentence of this Section F.1., shall be subject to prior approval by the Participants
- F.2. Each Participant represents and warrants to the Foundation that, to the best of its knowledge, it owns, or has obtained the rights to use all of its Intellectual Property, free and clear of all liens, claims and restrictions, required for implementation of the Proposal. To the best of each Participant's knowledge, no Intellectual Property owned by such Participant with respect to the Proposal infringes upon any Intellectual Property rights of others and each Participant knows of no infringement upon any intellectual rights of others as to the Intellectual Property owned by the other Participant.

**G. PATENTS AND ROYALTIES**

G.1. If Proposer or either of the Participants elects to apply for letters patent on any Product developed in whole or in part from performance of Foundation-supported activity, such applicant shall, at its own expense apply in the United States and in Israel, and in such other countries and at such times as the Proposer or either of the Participants may deem appropriate. The Foundation will consider providing certain funding for the patent registration costs in accordance with the regulations as set out in the BIRD Foundation Procedures Handbook, as may be amended from time to time.

**H. RIGHTS OF THE GOVERNMENTS OF ISRAEL AND THE UNITED STATES**

H.1. Regardless of the patent rights acquired by Participants by mutual agreement or pursuant to Section G.1., the Governments of Israel and of the United States shall each have a non-exclusive, irrevocable, royalty-free license to make or have made, to use or have used, and to sell or have sold any such Product specified, throughout the world for all governmental purposes: provided, however, that in any contracting situation involving a Product made under this Agreement, the Government of Israel shall give preference to the Participant retaining the entire right, title, and interest in the Product in Israel, and provided that "governmental purposes" shall not include manufacture of such Product where it is commercially available at reasonable prices. Notwithstanding the foregoing, except for military purposes or in emergency situations, neither the Government of Israel nor the Government of the United States, nor the Foundation, shall have the right to sell or otherwise dispose of in any third country any product incorporating the Product or part of the Product without the prior written permission of the Participant which has acquired the entire right and interest in the Product in that third country. Such Participant shall not withhold permission where appropriate royalties are paid by the Foundation or government(s) concerned.

H.2. In addition to the patent rights specified in Section H.1., the Foundation reserves for itself and the Governments of Israel and the United States the right to use the Product, technical information, data, know-how and Intellectual Property arising out of, or developed under, this Agreement for any noncommercial purpose, and without charge.

H.3. In order that the rights of the Foundation and the Governments of Israel and the United States described herein shall be exercisable, the Participants agree that any component, element or other part of the system described as the Product in the Preamble to this Agreement, whose use is necessary to the full enjoyment of the Product, will be made available, at reasonable prices, by the Participants either as a commercially purchasable item, or by special arrangement, and will be sold to the Foundation and/or the Government of Israel and/or the Government of the United States, also at reasonable prices.

H.4. Notwithstanding the foregoing provisions of this Section H., it is understood and agreed that, so long as any Intellectual Property that comprises part or all of the Product is marketed by Proposer, by either Participant, or by others with the rights to market such Intellectual Property, neither the Government of Israel nor the Government of the United States shall have the right to obtain a license to use such Intellectual Property unless the license fee normally imposed in the ordinary course of business by either of the Participants or by others with the rights to market such Intellectual Property is paid, and the standard license agreement is executed.

**I. TERMINATION OF THE AWARD**

- I.1. Notwithstanding anything to the contrary herein, the Foundation may revoke the Conditional Grant, in whole or in part, for any fundamental breach of the Agreement, or breach for cause, pursuant to the laws of the State of \_\_\_\_\_, upon written notice to the Participants.
- I.2. Notwithstanding whether any notice has been delivered to the Foundation by either Participant, the Foundation shall be entitled, upon written notice to the Participants, to revoke the Conditional Grant upon becoming aware of any of the following events of default:
- (i) the insolvency of either Participant; or
  - (ii) any material adverse change in the financial position of either Participant; or
  - (iii) a dispute between the Participants that has, or may reasonably be expected to have a negative effect on the continuation of the Project, as set out in the Proposal; or
  - (iv) any change in the business of either Participant as a result of which such Participant is no longer interested in continuing the Project, and notwithstanding the continued interest of the other Participant.

Notwithstanding anything to the contrary in Section I.1. or I.2., the Proposer may cure the default within thirty (30) calendar days after the date of its receipt of said notice of revocation.

- I.3. Notwithstanding any other provision in this Agreement to the contrary, the Foundation shall not be obliged to provide any further funding after notice of revocation until and unless the said default is cured and so demonstrated to the reasonable satisfaction of the Foundation.
- I.4. Should the Conditional Grant be revoked for reason of \_\_\_\_\_ fundamental breach (or breach for cause), in addition to the Foundation's rights under Section I.5., the Foundation and the Governments of Israel and the United States shall continue to be entitled to all of their rights pursuant to Section H.
- I.5. If the Foundation shall revoke the Conditional Grant as aforesaid, all funds given to Proposer in accordance with Section B.1. shall become due immediately, without need for demand. Such funds shall be repaid with interest at the Late Payment Interest Rate from the date of notice of the revocation.
- I.6. The Proposer may not terminate this Agreement or abandon the Project without the prior written consent of the Foundation, which consent shall not be unreasonably withheld. The Foundation declares that it will furnish such a consent if it is satisfied that, despite good faith efforts, the Proposer has not succeeded in developing the Product, or if the Product has been developed the Proposer has not succeeded in effecting any sales or other commercial exploitation of the Product, except in the cases referred to in Section B.5.5.
- I.7. If upon termination of the Project development work for any reason other than revocation by the Foundation, the entire budgeted sum has not been expended, the

Proposer shall forthwith return to the Foundation its *pro rata* share of such unexpended portion. If not repaid forthwith, such sum shall bear interest in accordance with Section I.5.

**J. SURVIVAL OF PROVISIONS**

Notwithstanding revocation or other termination of this Agreement, the following provisions shall survive such revocation or other termination of this Agreement: Sections A., B., D., E., F., G., H., I.3, I.4., I.5., I.7., K., L., M., N. and Annex C. If, however, the termination of this Agreement derives from the payment by the Proposer of all of its obligations to the Foundation pursuant to Section B, the following provisions only shall survive the termination of this Agreement: Sections A., E., F., H., K., L. and M.

**K. PROPOSER'S RECORDS**

K.1. The Proposer shall maintain business and financial records and books of account for the work hereunder and revenues achieved, identifiable within the framework of the business and financial records of the Proposer. Such books and records shall be in usual and accepted form.

K.2. Books and records of the work hereunder shall show Proposer's contribution. Upon request by the Foundation, the Proposer shall provide evidence of its compliance herewith.

K.3. The Foundation may examine, or cause to be examined, the financial books, vouchers, records and any other documents of the Proposer relating to this Agreement at reasonable times and intervals during the term of this Agreement and for a period of one (1) year following termination, or for so long as payments per Sub-Section.B.3., Sub-Section.B.5., and/or Sub-Section B.6, are due, or may become due to the Foundation, whichever shall be the later. Such examination shall be conducted upon prior coordination with Proposer.

**L. SUITS AGAINST THE FOUNDATION**

L.1. The Proposer shall defend all suits brought against the Foundation, its officers or personnel, indemnify them for all liabilities and costs and otherwise hold them harmless on account of any and all claims, actions, suits, proceedings and the like arising out of, or connected with or resulting from the performance of this Agreement by either or both of the Participants, or from the manufacture, sales, or distribution or use by either or both of the Participants of the Product, whether brought by either or both of the Participants or their respective personnel or by third parties. The Proposer will fully consult in good faith with the Foundation and its counsel at all stages regarding defense of a Claim. Any settlement that does not fully release the Foundation from any and all Claims must be approved in advance, in writing, by the Foundation.

L.2. The Proposer agrees that persons employed by it, or otherwise retained by the Proposer, in connection with the Project, shall be deemed to be solely its own employees or agents, and that no relationship of employer and employee or principal and agent shall be created between such employees or agents and the Foundation,

either for purposes of tort liability, social benefits, or for any other purpose. The Proposer shall indemnify the Foundation and hold it harmless from court costs and legal fees, and for any payment, which the Foundation may be obliged to make as a result of a cause of action based upon an employee-employer or principal-agent relationship as aforesaid.

**M. MISCELLANEOUS CONDITIONS**

- M.1. The Foundation makes no representation, by virtue of its funding the work hereunder, or receiving any payments or royalties as a result of this Agreement, as to the safety, value or utility of the Product or the work undertaken, nor shall the fact of participation of the Foundation, its funding or exercise of its rights hereunder be deemed an endorsement of the Product or of the Proposer, nor shall the name of the Foundation be used for any commercial purpose or be publicized in any way by the Proposer except within the strict limits of this Agreement.
- M.2. Without derogating from the provisions set forth in Section B.5 of this Agreement the Proposer and/or either Participant, as the case may be may not assign and/or transfer any of their rights and obligations under this Agreement or any of the work undertaken pursuant to it without the prior written consent of the Foundation, in its sole discretion, unless there will be a Full Repayment to the Foundation.
- M.3. This Agreement shall be construed under the laws of the State of . The exclusive forums for the resolution of any dispute arising from this Agreement shall be the State of Israel or Washington, D.C. in the U.S., as the moving party may elect. Execution of this Agreement shall be taken as submission to the forum selected pursuant to this Section.
- M.4. Any dispute concerning the subject matter of this Agreement shall be resolved through arbitration, unless the Foundation and the other parties to such dispute agree otherwise, in writing. If the forum is in Israel, the arbitration will be conducted pursuant to the rules of the Israeli Institute for Commercial Arbitration. If the forum is in the United States, the arbitration will be conducted pursuant to the rules of the American Arbitration Association.
- M.5. Proposer undertakes to comply with all applicable laws, rules and regulations of the State of Israel and the United States of America and any applicable State or Commonwealth, and will apply for and obtain all necessary licenses and permits for the carrying out of its obligations hereunder.
- M.6. Notices and communications shall be e-mailed to an officer of the receiving party or shall be hand-delivered or mailed by prepaid first-class mail (airmail if transmitted internationally) addressed to:
  - a. The Israel-U.S. Binational Industrial Research and Development Foundation

Office Address:  
Kiryat Atidim, Building 4  
Tel Aviv 6158001  
Israel

Mailing Address:  
P.O. Box 58054  
Tel Aviv 6158001  
Israel

b. Office Address: \_\_\_\_\_ Mailing Address: \_\_\_\_\_

c. Office Address: \_\_\_\_\_ Mailing Address: \_\_\_\_\_

Any notice delivered to a party as set forth above shall be deemed to be service of notice on such party.

**N. LIMITATION ON PAYMENTS**

Notwithstanding any contrary interpretation of this Agreement or the Annexes hereto and except for the indemnities set forth in Section L. that shall not be limited, Proposer's total obligation hereunder for payments to the Foundation shall not exceed the amount calculated in accordance with the applicable percentage provided in Section B.3.1(b) in equivalent dollars valued at time of repayment as determined in accordance with Annex C. In any event, only in the case that it transpires that not one of the following happens: (i) Gross Sales, (ii) Outright Sale of the Product to a third party, nor (iii) license of the Product under a License Agreement, shall the Proposer have no obligation to make any Repayments to the Foundation.

**O. COOPERATION AND PROJECT FUNDING AGREEMENT OVERRIDES**

In so far as concerns the Foundation, in any instance in which a provision or provisions in the agreement between the Participants contradicts a provision in this Agreement, the provision or provisions in this Agreement shall override.

**P. EFFECTIVE DATE**

The effective date of this Agreement shall be the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. The development work shall commence on the aforementioned date and, unless sooner terminated by the Foundation in accordance with Section. I., the development work shall terminate (\_\_\_\_\_) months following the effective date.

Signed the day and date above first given

Printed Name: Eitan Yudilevich, Ph.D.

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

Title: Executive Director

(for the BIRD Foundation)

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

BIRD Foundation Procedures Handbook

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

Title: \_\_\_\_\_

(for \_\_\_\_\_ )

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

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

Title: \_\_\_\_\_

(for \_\_\_\_\_ )

Annex A  
Approved Project Budget  
Israeli Company

Annex A  
Approved Project Budget  
U.S. Company

**ANNEX B  
PAYMENT OF CONDITIONAL GRANT**

1. First Payment - On signing –
 

Israeli Company:	\$
U.S. Company:	\$
  
2. Second Payment –
 

After receipt and approval of the first interim technical and fiscal reports for the first -month period, or after actual expenditures on the project have equaled or exceeded the required expenditure, whichever is later.

	Required Expenditure	Payment
Israeli Company:	\$	\$
U.S. Company:	\$	\$

However, if at the required time of submission of the first interim technical and fiscal reports, work on the project or expenditures thereon prove to be materially behind plan, in accordance with Annex D and Annex A, respectively, the Foundation will review the project with Proposer and determine a suitable course of action with respect to further payments against the Conditional Grant, if any.

3. Final Payment - After receipt and approval of the final technical and fiscal reports - the balance due Proposer up to the total sum of the Conditional Grant in accordance with Section B.1.
  
4. The Participants shall be responsible for bearing all bank and similar charges relating to payments made by the Foundation to the Participants.

**ANNEX C**  
**LINKAGE OF CONDITIONAL GRANT REPAYMENTS**

The monies given as a Conditional Grant shall be linked in value, until full Repayment, to the Index. As each increment of the grant is given, it shall thereafter be linked to the Grant Base Index. Upon Repayment of any portion of Proposer's obligations under Section B.3, Section B.5, or Section B.6., such Repayment shall be linked to the Repayment Base Index.

At any Calculation Date, Proposer's obligations shall be calculated according to the following formula:

The Total Indexed Grant less the Total Indexed Repayment.

**ANNEX D**  
**APPROVED PROGRAM PLAN**

## 5.2.2. Confidential Disclosure Agreement – One Company

Agreement made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_, by and

BETWEEN

The ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION, a legal entity created by Agreement between the Government of the State of Israel and the Government of the United States of America located at Kiryat Atidim, Building 4, Tel Aviv, 61581, Israel (hereinafter referred to as the "Foundation"),.

AND

(Israeli or U.S. Company, Name and Address)

(hereinafter referred to as the "Company")

WHEREAS, the parties anticipate having discussions regarding the participation of the Company in a project to be funded by the Foundation; and

WHEREAS, both parties may wish to initiate the mutual disclosure of certain Confidential Information (as defined below) in accordance with the terms herein;

NOW THEREFORE, in consideration of the disclosure of Confidential Information, the parties covenant and agree as follows:

As Used Herein:

1. For the purposes of this Agreement, "Confidential Information" shall include: (a) any technical, managerial, financial or business information, whether in written, graphic, electromagnetic, verbal or other form (including but not limited to specifications, prototypes, software, models, drawings, product plans, pre-release products, marketing plans, business opportunities, customer lists, personnel data, research and development activities, know-how and third-party information), that the disclosing party marks or otherwise designates as "Confidential" or "Proprietary" or the like and (b) the existence, terms and conditions of this Agreement whether marked or not.
2. Confidential Information shall at all times remain the property of the disclosing party. The receiving party warrants that it will at all times apply strict safeguards against the unauthorized disclosure of Confidential Information.
3. Each of the parties agrees that, for a period of three (3) years from the date of disclosure:
  - a. Confidential Information provided to the receiving party shall be used by the receiving party solely for the purpose of evaluating its interest in the business arrangement described or performing a future agreement between the parties;
  - b. the receiving party will not use such Confidential Information disclosed hereunder for any other purpose;

- c. the receiving party is only permitted to disclose the Confidential Information to those employees, directors, agents, advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) who (i) have a need to know the Confidential Information solely for the purpose of evaluating its interest in the business arrangement described or performing a future agreement between the parties, and (ii) are bound by confidentiality obligations at least as restrictive as those set forth in this Agreement; and
  - d. except as permitted by subsection c, the receiving party shall not disclose any Confidential Information to any other person or entity.
4. This Agreement shall not apply to Confidential Information that:
- a. is in or enters the public domain, through no fault of the receiving party; or
  - b. is or has been disclosed by disclosing party to a third party without restriction; or
  - c. is already in the possession of the receiving party, without restriction, prior to disclosure of the Confidential Information hereunder; or
  - d. is lawfully disclosed by a third party to the receiving party without an obligation of confidentiality; or
  - e. is developed by the receiving party independently without breach of this Agreement; or
  - f. is required to be disclosed pursuant to court order or required by any governmental authority or agency, provided prompt written notice of such order or requirement is given to the disclosing party and disclosing party is given an opportunity to respond to such order or requirement.
5. This Agreement shall continue for a period of three (3) years from the date first written above for the purpose of disclosure of Confidential Information. Either party may terminate this Agreement upon written notice. The non-disclosure obligations set forth in Paragraph 3 shall survive the expiration or termination of this Agreement.
6. Neither this Agreement nor the disclosure or receipt of Confidential Information shall constitute or imply a commitment by either party with respect to present or future cooperative product development or other subject matter not expressly set forth herein. Neither party will have any obligation to commence or continue discussions or negotiations, to exchange any information, to reach or execute any agreement with the other party, to refrain from engaging at any time in any business whatsoever, or to refrain from entering into or continuing any discussions, negotiations and/or agreements at any time with any third party unless agreed to in writing signed by both parties. Each party will be responsible for its own expenses incurred in connection with this Agreement and in the preparation of any written agreement relating to the subject matter hereof.
7. The receiving party acknowledges that a breach of any of the provisions hereof may have a material adverse effect on the disclosing party directly or indirectly, and that damages arising from such breach may be difficult to ascertain or quantify. Accordingly, the receiving party agrees that in addition to any other remedies that may be available, the disclosing party shall have the right to an immediate injunction enjoining such breach.
8. The disclosing party grants no license or right to the receiving party under any patent, patent application, trademark, copyright, or other proprietary right.

BIRD Foundation Procedures Handbook

9. Any amendment to this Agreement must be in writing and signed by an authorized representative of each party. No failure or delay in exercising any right under this Agreement shall operate as a waiver thereof.
10. At the disclosing party's request, all Confidential Information in tangible form that is in the possession of the receiving party shall be returned to the disclosing party or destroyed. Within fifteen (15) business days after a request is made pursuant to this provision, the receiving party will certify in writing to the disclosing party that receiving party has complied with this paragraph.
11. Both parties agree that they will not disclose the subject matter or terms of this Agreement or the discussions between the parties without the prior written consent of the other party.
12. This Agreement shall be governed by the laws of the State of \_\_\_\_\_, except its conflict of law provisions, and the parties hereby agree to consent to jurisdiction in the State of \_\_\_\_\_.
13. This Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and supersedes any previous understandings, agreements and commitments, oral or written.

**BIRD FOUNDATION**

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

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

Title: \_\_\_\_\_

**[US or ISRAELI COMPANY]**

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

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

Title: \_\_\_\_\_

### 5.2.3. Confidential Disclosure Agreement – Two Companies

Agreement made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_, by and

BETWEEN

The ISRAEL-UNITED STATES BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION, a legal entity created by Agreement between the Government of the State of Israel and the Government of the United States of America located at Kiryat Atidim, Building 4, Tel Aviv, 61581, Israel (hereinafter referred to as the "Foundation"),.

AND

(Israeli Company, Name and Address)

AND

(U.S. Company, Name and Address)

(hereinafter referred to collectively as the "Proposer").

WHEREAS the Proposer intends to submit to the Foundation its Proposal for the development of a technology or product (herein, the "Innovation") together with its request for certain funding by the Foundation of the work; and

WHEREAS such Proposal and subsequent data disclosures in the course of the work, if financed and certain disclosures by the Foundation may contain proprietary or commercial confidential information;

NOW THEREFORE, in consideration of the disclosure of Confidential Information, the parties covenant and agree as follows:

As Used Herein:

1. For the purposes of this Agreement, "Confidential Information" shall include: (a) any technical, managerial, financial or business information, whether in written, graphic, electromagnetic, verbal or other form (including but not limited to specifications, prototypes, software, models, drawings, product plans, pre-release products, marketing plans, business opportunities, customer lists, personnel data, research and development activities, know-how and third-party information), that the disclosing party marks or otherwise designates as "Confidential" or "Proprietary" or the like and (b) the existence, terms and conditions of this Agreement whether marked or not.
2. Confidential Information shall at all times remain the property of the disclosing party. The receiving party warrants that it will at all times apply strict safeguards against the unauthorized disclosure of Confidential Information.
3. Each of the parties agrees that, for a period of three (3) years from the date of disclosure:
  - a. Confidential Information provided to the receiving party shall be used by the receiving party solely for the purpose of evaluating its interest in the business arrangement described or performing a future agreement between the parties;

- b. the receiving party will not use such Confidential Information disclosed hereunder for any other purpose;
  - c. the receiving party is only permitted to disclose the Confidential Information to those employees, directors, agents, advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) who (i) have a need to know the Confidential Information solely for the purpose of evaluating its interest in the business arrangement described or performing a future agreement between the parties, and (ii) are bound by confidentiality obligations at least as restrictive as those set forth in this Agreement; and
  - d. except as permitted by subsection c, the receiving party shall not disclose any Confidential Information to any other person or entity.
4. This Agreement shall not apply to Confidential Information that:
- a. is in or enters the public domain, through no fault of the receiving party; or
  - b. is or has been disclosed by disclosing party to a third party without restriction; or
  - c. is already in the possession of the receiving party, without restriction, prior to disclosure of the Confidential Information hereunder; or
  - d. is lawfully disclosed by a third party to the receiving party without an obligation of confidentiality; or
  - e. is developed by the receiving party independently without breach of this Agreement; or
  - f. is required to be disclosed pursuant to court order or required by any governmental authority or agency, provided prompt written notice of such order or requirement is given to the disclosing party and disclosing party is given an opportunity to respond to such order or requirement.
5. This Agreement shall continue for a period of three (3) years from the date first written above for the purpose of disclosure of Confidential Information. Any party may terminate this Agreement upon written notice. The non-disclosure obligations set forth in Paragraph 3 shall survive the expiration or termination of this Agreement.
6. Neither this Agreement nor the disclosure or receipt of Confidential Information shall constitute or imply a commitment by any party with respect to present or future cooperative product development or other subject matter not expressly set forth herein. No party will have any obligation to commence or continue discussions or negotiations, to exchange any information, to reach or execute any agreement with any other party, to refrain from engaging at any time in any business whatsoever, or to refrain from entering into or continuing any discussions, negotiations and/or agreements at any time with any third party unless agreed to in writing signed by all parties hereto. Each party will be responsible for its own expenses incurred in connection with this Agreement and in the preparation of any written agreement relating to the subject matter hereof.
7. The receiving party acknowledges that a breach of any of the provisions hereof may have a material adverse effect on the disclosing party directly or indirectly, and that damages arising from such breach may be difficult to ascertain or quantify. Accordingly, the receiving party agrees that in addition to any other remedies that may be available, the disclosing party shall have the right to an immediate injunction enjoining such breach.
8. The disclosing party grants no license or right to the receiving party under any patent, patent application, trademark, copyright, or other proprietary right.

9. Any amendment to this Agreement must be in writing and signed by an authorized representative of each party. No failure or delay in exercising any right under this Agreement shall operate as a waiver thereof.
10. At the disclosing party's request, all Confidential Information in tangible form that is in the possession of the receiving party shall be returned to the disclosing party or destroyed. Within fifteen (15) business days after a request is made pursuant to this provision, the receiving party will certify in writing to the disclosing party that receiving party has complied with this paragraph.
11. All parties agree that they will not disclose the subject matter or terms of this Agreement or the discussions between the parties without the prior written consent of all other parties hereto.
12. This Agreement shall be governed by the laws of the State of \_\_\_\_\_, except its conflict of law provisions, and the parties hereby agree to consent to jurisdiction in the State of \_\_\_\_\_.
13. This Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and supersedes any previous understandings, agreements and commitments, oral or written.

**BIRD FOUNDATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**[US COMPANY]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**[ISRAELI COMPANY]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_