

Memorandum of Understanding

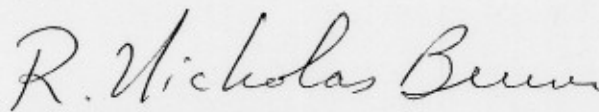
The United States and Israel agree upon the importance of continuing annual U.S. military assistance to Israel in a way that strengthens the bilateral relationship between our two countries.

Reflecting the unshakable commitment of the United States to Israel's security, the United States supports increased levels of Foreign Military Financing (FMF) grant assistance to Israel in future years to help Israel meet its security requirements. These increases should occur over a ten-year period beginning in FY 2009, with an initial increase of \$150 million over the FY08 level, and additional increases of \$225 million in FY10, \$225 million in FY11, \$75 million in FY12, and \$25 million in FY13, at which point assistance should level out at \$3.1 billion per year thereafter from FY 2013-2018. Total assistance over the course of this understanding would equal \$30 billion.

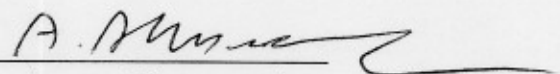
With respect to the FMF assistance grant increases, the United States notes the importance of making FMF resources available to finance the purchase of U.S. military goods and services in the United States. Both sides jointly understand that the proportion of FMF grants available for Off Shore Procurement (OSP) should be maintained at 26.3% of the yearly FMF grant.

Both sides acknowledge that these funding levels assume continuation of adequate funding levels for U.S. foreign assistance overall, and are subject to the appropriation and availability of funds for these purposes.

The United States and Israel agree that the political, security and economic interests of both countries are fundamentally enhanced by increased regional economic growth and cooperation in the Middle East. The United States and Israel intend to continue their active dialogue on security and economic policy in existing bilateral committees. Both governments are committed to the most efficient expenditure of security funds. A review of Israeli security assistance priorities will be held yearly under discussions conducted at the JPMG.



R. Nicholas Burns
Undersecretary of State



Aaron Abramovich
Director General
Ministry of Foreign Affairs