



2006 Third Quarter Report

Reut Institute - From Vision to Policy
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Reut Quarterly Report July-September 2006

Friends and Supporters,

The Reut Institute is proud to submit our first quarterly report, which covers the third quarter of 2006. It is based on our recently acquired capacities to assess our operations empirically and periodically according to objectives set forth in our development plan.

The attached report covers the performance of Reut during the following time frames: (1) Third quarter of 2006; (2) 2006 based on our activity thus far and projections for the end of the year; (3) Comparison to respective quarters in previous years.

The highlights of the report are:

- **Content**: Reut has tripled our publications. Our scope of research has expanded to include regional and socio-economic challenges.
- **Human Capital**: In early September, our team expanded to include 17 full-time staff in three policy teams.
- **Impact**: By the third quarter, we have exceeded the 2005 total number of briefings to senior officials; Our media coverage tripled and we have been quoted in a growing number of leading international media, such as New York Times, Boston Globe and Wall Street Journal.
- **Web-based policy platform**: In August, we launched our cutting-edge website and are gradually integrating it as a tool for decision-support.
- **Budget**: Reut expects to raise 1 million dollars during 2006, which represents doubling of 2005 budget.

We are grateful for your support, which makes all this possible.

Yours,

Gidi Grinstein
Founder and President



The Things That Keep Us Busy...

The mission of Reut is to sustain significant and substantive impact on the future of Israel and the Jewish world. Our strategy is to become a primary resource for real-time decision-support for anyone engaged with the long term future of our nation. Toward this goal, we have developed services that are provided *pro-bono* to the Government of Israel.

We have five major parameters to assess our performance: decision-support, human capital, impact channels, enabling technology and financial efficiency. This report is structured accordingly.

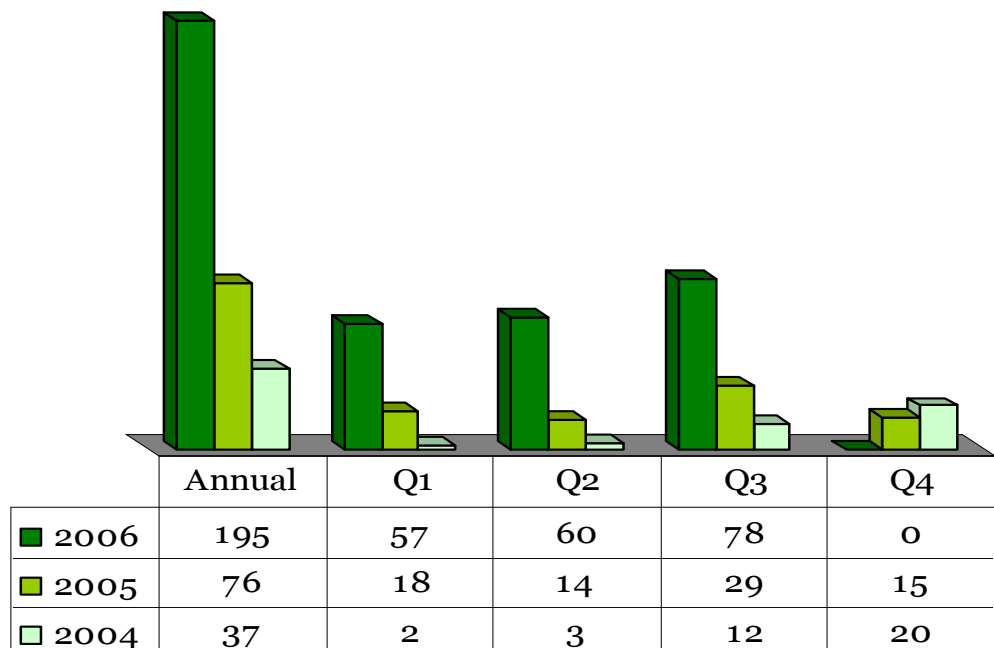
Decision-support for the Government of Israel

Our primary objective is to support relevant decision-making in Israel. The future of Israel and the Jewish people is shaped by many people in positions of leadership, influence or authority. Reut is here to support all of them.

The indicators assessing our decision-support performance are our rate of publications and scope of research . We believe that these indicators reflect our flexibility and relevance for the Israeli decision-makers.

Publication Rate

2006 reflects a 200% growth in our publication rate compared to 2005.



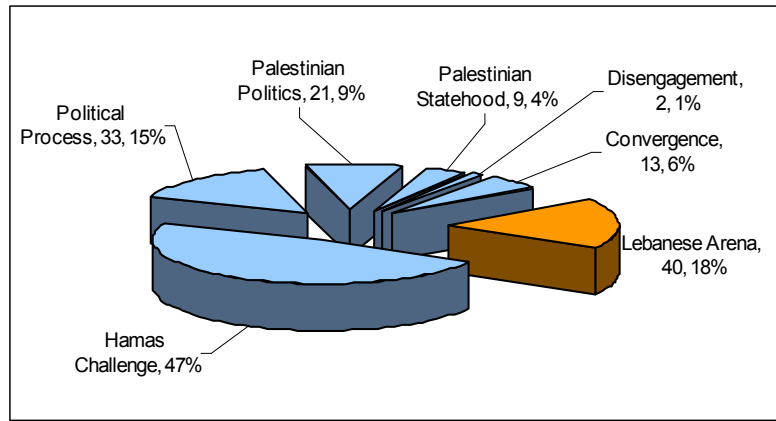


Research Scope

Our scope of research represents our flexibility. In previous years, our products focused on the Palestinian challenge. As of July 2006, Reut expanded its scope of decision-support to the regional challenges and to socioeconomic growth ('Top-15 Vision').

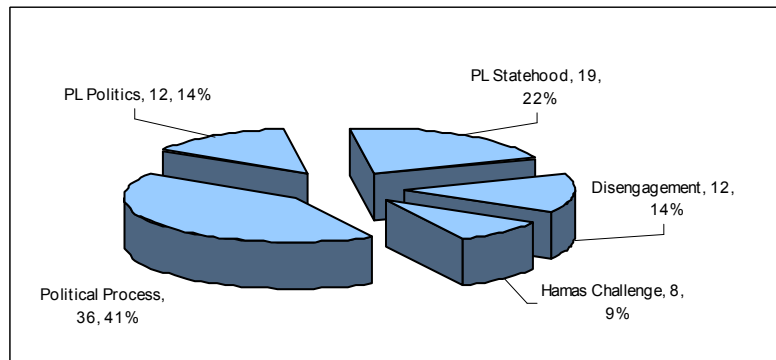
The regional team was established during the second Lebanon war and has already produced 40 research documents. The socioeconomic team was launched in September and is expected to contribute at least 10 research products in the fourth quarter.

Human Capital



2006 Research Flexibility

1. **Palestinian Arena:** Hamas, Disengagement, Convergence, Political Process, Palestinian Politics, Palestinian Statehood.
2. **Lebanese Arena**
3. **Top-15 Agenda**



2005 Research Flexibility

1. **Palestinian Arena:** Hamas Challenge, Disengagement, Political Process, Palestinian Politics, Palestinian Statehood.

Introducing two additional teams

Our analysts stand at the core of our operation. We try to recruit best-and-brightest-type analysts and train them in our unique package of theory, methodology and software tools to become Israel's strategic thinkers.

In 2006, Reut doubled its capacity for analysis by recruiting 6 analysts. This required a comprehensive methodological and organizational effort including a move to a larger office.



Impact Channels

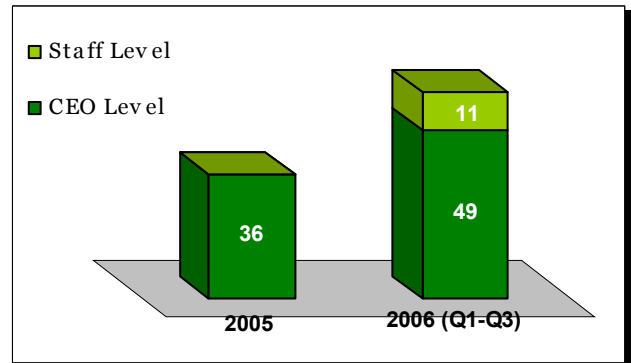
Impact requires having relevant insights and the ability to communicate them to the relevant people at the right time. This is what we frame as: ‘just in time-just right’. We believe that impacting the Israeli political system requires that we understand the agenda and the dynamic nature of the challenges it faces.

Our impact methodology aims to communicate the right insights at the right time to the right people in positions of leadership, influence or authority.

Meeting Top Executives

The primary channel of impact remains our ability to meet with decision-makers and communicate our insights directly. Since the beginning of 2006, a steady growth of content-meetings has been evident.

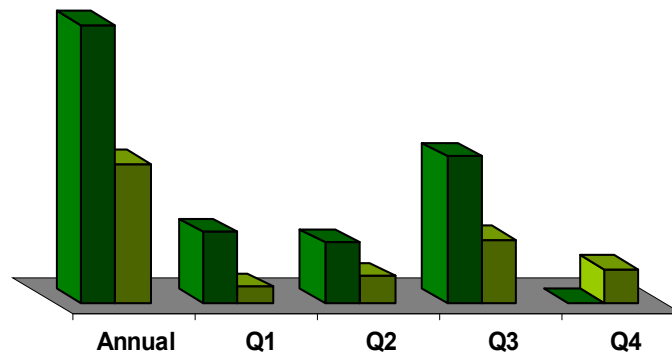
Furthermore, in an effort to deepen our relationship with government agencies, we hold staff meetings that occur on a regular basis, in which we meet to discuss their agenda. This model supports the sustainability of our decision-support.



Media Coverage

Most of the media coverage of our work is a channel of impact and not public relations. We engage the media to forewarn of a potentially irrelevant mindset. In January 2006, Reut recruited a media expert to develop a media impact methodology. This translated into doubling of our media coverage on a quarterly and on an annual rate.

In addition, the variety of media resources that cite and discuss our analysis products spans international media such as Thomas Friedman’s New York Times column, the Financial Times, Reuters newswires and more.



	Annual	Q1	Q2	Q3	Q4
■ 2006	106	27	23	56	0
■ 2005	53	6	10	24	13



Reut Event: A Unique Systemic Debate

Our knowledge development methodology enables us to facilitate a unique type of research discourse. We stick to the facts and moderate the discourse around the context, rather than around the ideology or opinion of the contributor.

One of our objectives is to enrich the Israeli discourse through a periodic event that adheres to our discourse parameters. In July, Reut held a conference titled: “*From Disengagement to Convergence*” - hosting key political and research figures such as Prof. Uzi Arad, Maj. Gen. (res.) Giora Eiland, MK Yuval Shteiniz, Otniel Shneler, Avshalom (Abu) Vilan and others. The event was concluded by a keynote address by the Foreign Minister, Mrs. Zipi Livni.

Enabling Technology

Reut aims to leverage cutting-edge technology in the service of its mission. Our methodology is a unique application of the Praxis© Systemic Policy Design package that includes theory, methodology and the ReFramer software.

In July 2006 Reut launched a cutting-edge web-based-policy platform tailored to the needs of decision-makers and offering them daily analysis of the national challenges.

The site incorporates cutting-edge concepts and technologies to engage a wider community of decision-makers and enhance our impact. You are invited to use our website at: <http://www.reut-institute.org>

Financial Efficiency

Reut believes in complete transparency of its financial conduct. In the reviewed period (Q1-Q3 2006) Reut raised \$722,166 and spent \$480,117.

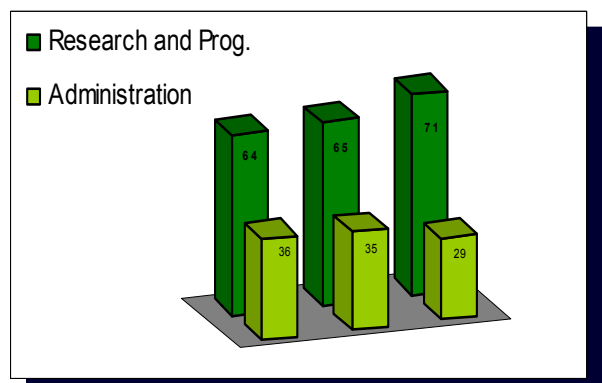
We measure our financial efficiency in two dimensions - expenditures and income.

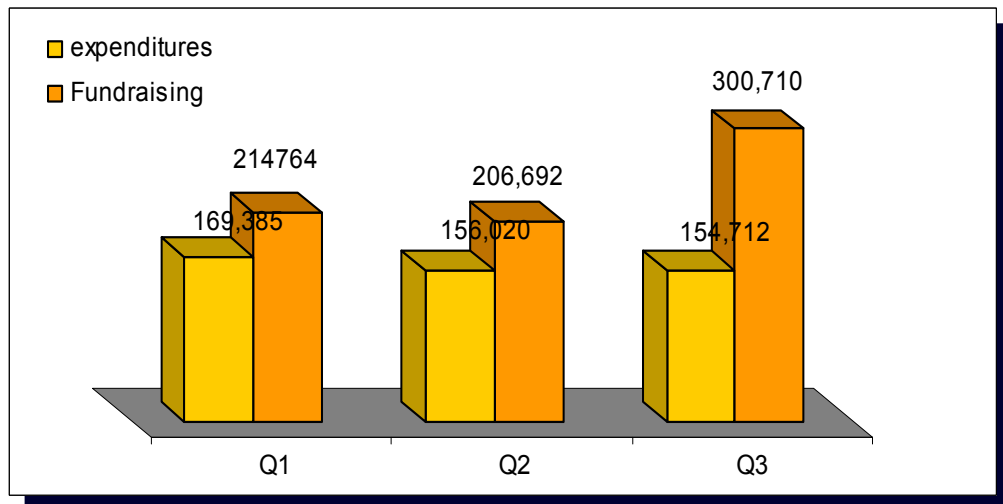
Expenditures: Research & Programming v. Administration

As an organization that produces substance, our primary indicator for efficient expenditure is a 1-2 ratio between research and programming expenditure and other expense. i.e., for every two dollars spent on research and programming, one dollar is spent on all other activities.

This goal sets the ground rules for our financial and operational activities.

The graph reflects a 1:1.85 ratio between administration and content expenditure accordingly. Our goal is to arrive at 1-2 ratio by the end of 2006 fiscal year.





Income

In September 2005, American Friends of the Reut Institute (AFRI) was established as a US 501(c)(3) nonprofit organization. AFRI began its operation in March 2006. Its primary focus is to support the mission of the Reut Institute with monetary grants.

Prior to the establishment of AFRI, Reut had been receiving donations from individuals and foundations in America through two major institutions - New Israel Fund and the PEF.

55% of the \$722,166 raised in the first three quarters of 2006, have been received through AFRI. The slow increase of AFRI's share in our support enables us to present a three-year budget starting in 2007 and ending in 2009.

Income (Donation) - all sums are USD (4.5 exchange rate)					
Month	AFRI	P.E.F	N.I.F	Other	Total
January	0	1,000	56,500	11,800	69,300
February	0	5,000	50,055	6,150	61,205
March	40,000	0	44,922	6,307	91,230
April	0	10,000	7,680	107	17,787
May	80,000	0	25,555	12,539	118,094
June	54,985	0	1,998	15,044	72,027
July	69,985	0	21,350	2,031	93,366
August	99,985	0	0	0	99,985
September	53,778	0	0	29,387	83,165
	398,732	16,000	208,060	83,365	706,158