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Privileged and Confidential

- As a further measure to protect the Unpaid Awards, the Consortium proposes that the special purpose vehicle for monetization and investment be a charitable trust or foundation. Use of a charitable corporate vehicle serves two purposes: first, the foundation's trustees (all to be eminent international persons) would provide key support for payment of the Unpaid Awards as vocal advocates for Kuwait and the UNCC payment process; and second, by dedicating some percentage of income earned from investments to charitable strategies in Iraq, the foundation becomes part of the evolving global initiative to support lasting political and economic stability in the region and reconciliation with Iraq. The initiative would not involve mere hand-outs, but co-production with direct Iraqi participation to create a new chapter of peace and prosperity in the region. At the end of the foundation's life (10 to 15 years), the Foundation would be liquidated and pay over to Kuwait the purchase price for the Unpaid Awards, or Kuwait could elect to continue the foundation indefinitely.
- The ultimate purchase price payable to Kuwait for the Unpaid Awards will be comprised of proceeds from the Unpaid Awards, returns from their investment, and returns from investing the \$3 billion in Paid Awards. Once the Consortium's financial structuring team is able to confirm a tentative value for the monetization of the Unpaid Awards, the team would agree with Kuwait the terms of a target purchase price and arrange the purchase in accordance with the agreed terms. We have provided examples of the types of monetization levels and an indicative purchase price in the proposal.
- In order to maximize investment returns used in the purchase price, and so increase the purchase price, the Consortium's investment team will establish, as an affiliate of the foundation, a Middle East Fund. The financial team will manage the fund on behalf of Kuwait for an initial investment period of 10 years. Although the Middle East Fund will be global in scope, some portion of the Middle East Fund will be used to invest in key regional projects. In fact, Iraq will receive the fund's special attention. In the near future, 40 state-owned Iraqi enterprises in a range of sectors will be available for leasing and management contracts. There will also be 2,500 projects coming up in the next phase for reconstruction of Iraq. The fund will invite the participation of leading Kuwaiti companies to partner with international players to help rebuild Iraq and bid on such projects. The principal objective of the investment fund, however, will be to achieve the strategic alliances and investment returns necessary to secure a favorable target purchase price for the Unpaid Awards. Investment options will, therefore, be global, and prioritized around their projected rate of return.
- The Consortium further proposes to establish a Kuwait Environmental Restoration Fund, to be led by Carol Browner of The Albright Group. This fund would use US\$1 billion of the Paid Awards to launch a coordinated, global effort to clean up the environmental damage done to Kuwait by Iraq's invasion, and would leverage the Consortium's influence and expertise to access additional funding and secure additional resources for Kuwait's environmental clean-up and restoration effort.

For many, the uncertainty and instability in the region must seem unending. The invasion of Kuwait, which ignited many of the current issues, was itself more than a decade ago. But the events following the current US war with Iraq – particularly Mr. Baker's new role and the likely emergence of what will be understood as a new round of global negotiations over Iraqi debt – casts all of these issues in a new light and gives them a new, perhaps even intense, sense of urgency.