

26. EXHIBIT C

If you have previously filed an Exhibit C⁸, state whether any changes therein have occurred during this 6 month reporting period. Yes No

If yes, have you filed an amendment to the Exhibit C? Yes No

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements been filed by all of the persons named in Items 5 and 7 of the supplemental statement? Yes No

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Type or print name under each signature)

[Handwritten signature]

Mark Helmke
President

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

Subscribed and sworn to before me at Washington, D.C.

this 16th day of June, 19 93

RECEIVED
DEPT. OF JUSTICE
CRIMINAL DIVISION
93 JUN 30 AM 10:45
INTERNAL SECURITY
SECTION
REGISTRATION UNIT

[Handwritten signature]
Nancy Ann Kishanek

(Signature of notary or other officer)

Comm. Expires 10/31/96

⁸The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

ITEM 11 & 12

Foreign Principal: Japan Auto Parts Industry Association

Interests: Track legislation and administrative agency activity affecting international trade, prepare memoranda, and advise principal and member companies on taking, action, if appropriate, with regard to either legislative, administrative or media activities.

Key: SW - Samuel Wang

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
1/6/93	SW	Tele Call	Office of Public Affairs, Commerce Department. Call was for informational purposes.
2/4	SW	Tele Call	House Energy and Commerce Committee. Call was for informational purposes, to inquire about status of Family Leave Bill.
2/5	SW	Tele Call	House Energy and Commerce Committee. Call was for informational purposes, to inquire about status of Family Leave Bill.

ITEM 11 & 12

Foreign Principal: Mitsubishi Electronic

Interests: Track legislative and administrative agency activity affecting international trade, prepare memoranda and advise principal on taking action, if appropriate, with regard to either legislative or administrative activities.

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
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12/1/92 to 5/31/93

NO REPORTABLE ACTIVITIES THIS PERIOD

ITEM 11 & 12

Foreign Principal: Minolta Camera Co., Ltd

Interests: Monitor and explain to news media and government officials through written and oral communications the nature of the principal's interest in regard to international trade issues. We will track legislative and administrative agency activity affecting international trade and advise principal on taking action, if appropriate, with regard to either legislative or administrative activities.

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
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12/1/92 to 5/31/93

NO REPORTABLE ACTIVITIES THIS PERIOD

ITEM 11 & 12

Foreign Principal: Government of Abu Dhabi

Interests: Monitor and explain to news media through written and oral communications developments regarding the Government of Abu Dhabi and assist it in its communications efforts.

Key: CR Cynthia Rapp
CV Craig Veith
SF Sean Flynn

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
12/19/92	SF	Meeting	Magda Sieker, Press and Cultural Attache at the U.S. Embassy in the U.A.E. Meeting was for introductory purposes.
4/1/93	CV	Tel Call	John Dickerson, Time Magazine, to provide background information on relevant issues. (#1)
4/28	CR	Letter	Ken Gilpen, New York Times, regarding correction of error in 4/28/93 New York Times article. (#2)
5/12	CR	Press Release	Attached release to the attached press list. Also sent to Jim Norman, Forbes Magazine. (#3)
	CR	Tel Call	Jay Mathews, Washington Post, and Rob Wells, Associated Press, regarding attached press release of 5/12/93. (#3)
	SF	Press Release	Attached press release of 5/12/93 to Peter Truell, Wall Street Journal, Rob Wells, Associated Press, and Ken Gilpen, New York Times. (#3)

5/14	CV	Tel Call	Jim Norman, Forbes Magazine, regarding background on attached press release of 5/12/93 and other materials. (#4)
5/17	CV	Tel Call	Jim Norman, Forbes Magazine, regarding background on issues. (#5)
5/20	CR	Briefing	Eugene Robinson, Washington Post, and Nicholas Bray, Wall Street Journal, regarding U.K. creditors' meeting/contribution arrangements. Also provided background materials. (#6)
	CR	Letter	Dirk Beveridge, AP, regarding U.K. creditors' meeting/contribution arrangements, with background materials. (#6)
5/21	CR	Briefing	Richard Stevenson, New York Times, regarding U.K. creditors' meeting/contribution arrangements, with background materials. (#6)
5/24	CR	Tel Call	Sharon Walsh, Washington Post, with background information regarding detainees, contribution arrangements and U.K. creditors' meeting. (#6)

ITEM 11 & 12

Foreign Principal: Canadian Forest Industries Council

Interests: Track legislation and administrative agency activity affecting international trade, prepare memoranda, and advise principal on taking action, if appropriate, with regard to either legislative or administrative activities and to assist the Council in its communications efforts.

Key: LM - Lance Morgan
CL - Clare Lynam

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
12/22/92	CL	Press Release	Attached press release to John Maggs, Journal of Commerce, Stuart Auerbach, Peter Behr, Washington Post, Keith Bradsher, NY Times, Asra Nomani, Wall Street Journal, Greg Wright, Knight-Ridder, Alan Stowell, Bureau of National Affairs, Alkman Granitsas, Inside U.S. Trade, Elisa Williams, Washington Times, Scott Sonner, AP, Laura Eggertson, Canadian Press Wire, Chuck Abbott, Reuters, Barbara Sweet, Thompson Newspapers, Mike Omelus, Broadcast News Limited, Rod McQueen, Financial Post, John Saunders, Globe and Mail and Alan Ota, Oregonian. Also sent to "National NewsLines" List attached. (#7)
1/8/93	CL	Mail	Attached white paper prepared by client to John Maggs, Journal of Commerce, Stuart Auerbach, Peter Behr, Washington Post, Keith Bradsher, NY Times, Asra Nomani,

5/93 Agency	Reimburse Expenses	
	Information Services	125.00
	Telephone/Telecopy	2.00
	Staff Meals	109.01
	Photocopying	10.00
Total	\$8,982.58	

JAPAN AUTO PARTS INDUSTRY ASSOCIATION

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92 Agency	Reimburse Expenses	
	Telephone	11.87
	Federal Express	40.50
	Xerox	33.00
1/93 Agency	Reimburse Expenses	
	Telephone/Telecopy	1.29
	Xerox	15.80
	Staff Meal	60.00
2/93 Agency	Reimburse Expenses	
	Telephone/Telecopy	33.94
	Xerox	7.40
	Federal Express	10.50
3/93 Agency	Reimburse Expenses	
	Telephone/Telecopy	.27
	Photocopying	16.80
4/93 Agency	Reimburse Expenses	
	Local Transportation	30.00
	Telephone/Telecopy	6.74
	Xerox	35.60
	Courier	7.50
5/93 Agency	Reimburse Expenses	
	Telephone/Telecopy	14.40
	Courier	6.50
	Xerox	45.00
Total	\$ 377.11	

MINOLTA CAMERA CO., LTD

12/1/92 to 5/31/93

No Fees or Expenses to Report for this reporting period

GOVERNMENT OF ABU DHABI

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92 Agency	Reimburse Expenses Abu Dhabi Press Liaison Office	
	Staff Meals	4,491.55
	Local Transportation	1,062.41
	Publications	409.84
	Telephone/Telecopy	1,806.94
	Video Tape Dubbing	25.71
	Miscellaneous Travel	452.16
	Airfare roundtrip Washington/Abu Dhabi to staff press liaison office:	
	C. Veith, 10/14-12/1/92	7,745.14
	S. Flynn, 10/4-10/21/92	4,896.00
	Airfare roundtrip London/Abu Dhabi to staff press liaison office:	
	J. Lockhart, 10/2-10/16/92	3,881.43
	Lodging while in Abu Dhabi to staff press liaison office:	
	C. Veith, 10/14-12/1/92	4,353.86
	S. Flynn, 10/14-10/30	2,568.45
	J. Lockhart, 10/2-10/16	2,601.72
12/92 Agency	Reimburse Expenses Washington Office	
	Courier	149.50
	Federal Express	103.23
	Information Services	582.22
	Transportation	543.09
	Photocopying	486.40
	Printing	672.55
	Telephone/Telecopy	3,481.08
	Staff Meals	1,312.13

News Transcripts	427.36
Postage	3.19
Publications	18.00
Miscellaneous Travel	50.00

Airfare roundtrip Washington/Abu Dhabi to meet with client and press liaison office to discuss strategy and developments:

J. Lake, 11/27-12/2/92	8,803.00
C. Rapp, 11/27-12/2/92	8,803.00

Airfare London to Abu Dhabi, 10/8/92 to meet with client and press liaison officer to discuss strategy and developments:

C. Rapp, 10/8/92	1,614.29
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Lodging while in Abu Dhabi to meet with client and press liaison office:

C. Rapp, 10/8-10/21/92	2,979.82
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1/93 Agency

Reimburse Expenses
Abu Dhabi Press Liaison Office

Staff Meals	2,966.03
Local Transportation	127.94
Publications	79.14
Telephone/Telecopy	359.83
Miscellaneous Travel	203.44

Airfare roundtrip Washington/Abu Dhabi to staff press liaison office:

S. Flynn, 12/6-12/20/92	4,850.00
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Airfare roundtrip London/Abu Dhabi to staff press liaison office:

J. Lockhart, 11/25-12/2/92	2,582.40
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Lodging while in Abu Dhabi to staff press liaison office:

J. Lockhart, 11/25-12/2/92	1,666.52
C. Rapp, 11/28-12/3/92	972.58
J. Lake, 11/28-12/3/92	866.00

Lodging while in London on return home from Abu Dhabi:

J. Lake, 12/2-12/4/92	1,032.17
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1/93 Agency

Reimburse Expenses
Washington Office

Information & Newswire Services	328.18
Local Transportation	644.42
Photocopying/Printing	439.80
Telephone/Telecopy	2,425.65
Publications	493.98
Courier	47.20

2/93 Agency

Reimburse Expenses
Abu Dhabi Press Liaison Office

Staff Meals	4,004.35
Local Transportation	1,341.31
Photocopying/Printing	11.29
Telephone/Telecopy	3,069.90
Miscellaneous Travel	315.01
Publications	387.63
Federal Express	121.90

Airfare roundtrip Washington/Abu Dhabi to
staff press liaison office:

C. Veith, 12/20/92-1/22/93 5,405.57

Lodging while in Abu Dhabi to staff press
liaison office:

C. Veith, 12/30/92-1/22/93	3,242.69
S. Flynn, 12/6-12/20/92	2,895.73
C. Rapp, 12/3-12/7/92	1,107.83

2/93 Agency

Reimburse Expenses
Washington Office

Courier	68.00
Federal Express	231.45
Information and Newswire Services	200.00
Local Transportation	6.00
Photocopying	368.20
Printing	175.02
Telephone/Telecopy	1,045.38
Transcripts	312.31
Publications	15.00

3/93 Agency

Reimburse Expenses
Abu Dhabi Press Liaison Office

Staff Meals	2,195.31
Local Transportation	1,328.98
Telephone/Telecopy	1,297.79

Publications	160.08
Miscellaneous Travel	15.90

Airfare roundtrip Washington/Abu Dhabi to staff press liaison office:

C. Veith, 2/1-2/19/93	5,420.00
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Airfare from Abu Dhabi to Washington, D.C. after staffing press liaison office:

J. Lockhart, 2/5/93	1,728.17
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Lodging in Abu Dhabi to staff press liaison office:

C. Veith, 2/1-2/19/93	2,155.55
S. Flynn, 1/21-2/5/93	2,753.25

3/93 Agency

Reimburse Expenses
Washington D.C. Office

Federal Express	26.68
Information Services	285.25
Photocopying	67.40
Telephone/Telecopy	1,247.84
News Transcripts	1,374.40
Printing	209.03

4/93 Agency

Reimburse Expenses
Abu Dhabi Press Liaison Office

Staff Meals	3,319.60
Local Transportation	2,054.76
Publications	323.07
Telephone/Telecopy	3,494.43
Photocopying	42.86

Lodging while in Abu Dhabi to staff press liaison office:

S. Flynn, 2/15-3/18/93	2,979.34
J. Lockhart, 2/15-3/1/93	2,552.47
C. Veith, 3/13-3/24/93	2,390.44

Airfare roundtrip Washington/Abu Dhabi to staff press liaison office:

S. Flynn, 1/21-2/4/93	2,437.45
S. Flynn, 2/24-3/18/93	4,869.45
C. Veith, 3/13-3/24/93	5,363.71

Airfare from London to Abu Dhabi, to staff press liaison office:

4/93 Agency J. Lockhart, 2/15-3/1/93 5,100.45
Reimburse Expenses
Washington Office

Federal Express	73.61
Film	28.62
Information Services	441.93
Local Transportation	90.00
Photocopying	81.90
Telephone/Telecopy	1,182.27
Transcripts	141.55

Airfare roundtrip Washington, D.C., New York,
to attend court hearings:

S. Flynn, 3/10/93 273.00

5/93 Agency Reimburse Expenses
Abu Dhabi Press Liaison Office

Staff Meals	3,696.76
Local Transportation	1,569.14
Photocopying	16.00
Publications	261.62
Telephone/Telecopy	3,479.75

Lodging while in Abu Dhabi to staff press
liaison office:

C. Veith, 4/6-4/20/93	2,561.09
J. Lockhart, 3/24-4/9/93	3,364.79

Airfare roundtrip Washington/Abu Dhabi to
staff press liaison office:

C. Veith, 4/6-4/20/93 4,521.45

Airfare roundtrip London/Abu Dhabi to staff
press liaison office:

J. Lockhart, 3/24-4/9/93 5,618.00

5/93 Agency Reimburse Expenses
Washington Office

Information Services	327.75
Photocopying	267.43
Telephone/Telecopy	561.34
Business Meals	1,383.35
Local Transportation	817.00
Federal Express	449.67
News Transcripts	2,012.16
Printing	87.43

Publications	590.00
Airfare, roundtrip Washington/New York to attend court hearings:	
S. Flynn, 3/29-4/1/93	273.00
C. Veith, ten trips between 4/20-5/5/93	2,730.00
Lodging for S. Flynn while in New York to attend court hearings 3/29-4/1/93:	706.33

Total:	Abu Dhabi Press	
	Liaison Office	\$ 148,976.13
	Washington Office	52,558.39

Grand Total: \$ 201,534.52

CANADIAN FOREST INDUSTRIES COUNCIL

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92 Agency	Reimburse Expenses	
	Information Services	150.00
	Photocopying	49.80
	Messenger Service	13.00
	Newswire Services	1,246.25
	Publications	27.00
	Telephone/Telecopy	266.11
1/93 Agency	No Expenses	
2/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Newswire Services	1,291.98
	Photocopying	79.40
	Telephone/Telecopy	170.13
	Local Transportation	6.00
	Courier	13.00
	Printing	50.47
3/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Local Transportation	10.00
	Staff Meals	45.00

	Photocopying	16.60
	Telephone/Telecopy	149.73
	Newswire Services	301.07
4/93 Agency	Reimburse Expenses	
	Courier	17.50
	Information Services	75.00
	Local Transportation	14.00
	Newswire Services	290.67
	Photocopying	48.20
	Postage	2.59
	Telephone/Telecopy	165.32
	Advertisements:	
	<u>Oregonian</u>	6,371.31
	<u>Toronto Globe</u>	
	<u>and Mail</u>	29,195.07
5/93 Agency	Reimburse Expenses	
	Staff Meals	19.05
	Courier	32.50
	Federal Express	20.24
	Information Services	75.00
	Local Transportation	121.00
	Photocopying	107.50
	Telephone/Telecopy	102.36
	Airfare, James Lake, 4/14/93-4/15/93, Washington, D.C., to Vancouver, B.C., to meet with clients to discuss strategy and developments:	1,695.05
	Lodging, James Lake, 4/14/93, while in Vancouver, B.C., to meet with client:	209.43
Total	\$ 42,597.33	

BREWERS ASSOCIATION OF CANADA

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92 Agency	Reimburse Expenses	
	Information Services	75.00
	Photocopying	7.00
	Telephone/Telecopy	50.78

Wall Street Journal, Greg Wright, Knight-Ridder, Alan Stowell, Bureau of National Affairs, Alkman Granitsas, Inside U.S. Trade, Elisa Williams, Washington Times, Scott Sonner, AP, Laura Eggertson, Canadian Press Wire, Chuck Abbott, Reuters, Barbara Sweet, Thompson Newspapers, Mike Omelus, Broadcast News Limited, Rod McQueen, Financial Post, John Saunders, Globe and Mail and Alan Ota, Oregonian. (#8)

3/11 CL Mail

Background information to Jim Bovard, free-lance writer.

5/6 LM, CL Press Release

Attached release to John Maggs, Journal of Commerce, Peter Behr, Washington Post, Keith Bradsher, New York Times, Asra Nomani, Wall Street Journal, Elisa Williams and Anne Veigle of the Washington Times, Alan Ota and Phil Cogswell of the Oregonian, Scott Sonner, AP, Vickie Allen and Chuck Abbott of Reuters, Greg Wright, Knight-Ridder, Alan Stowell, Bureau of National Affairs, Edward Alden, Inside U.S. Trade, Jim Berger, Washington Trade Daily, Alison Hunter, Free Trade Observer, Jim Bovard, free-lance, Laura Eggertson, Canadian Press Wire, Barbara Sweet, Thomson Newspapers, Mike Omelus, Broadcast News Limited, Rod McQueen, Financial Post, John Saunders, Globe and Mail, Pat Skinner, Canadian TV (CTV), Norman Greenaway, Southam News Service, David McDonald, Winnepeg Free Press, Helene Parenteau, CBC, Hilary MacKenzie/Marcie McDonald, Maclean's, Marie Tison, Press Canadienne and Carl Hanlon, Global TV. Also sent to "National NewsLines" list attached. (#9)

5/6 LM Tel Call

Michele Fay, Bloomberg News, John Maggs, Journal of Commerce and Asra Nomani, Wall Street Journal, regarding the binational panel

decision. Also sent them by fax a copy of the release.

	CL	Tel Call	Rod McQueen, Financial Post, Mike Omelus, Broadcast News Limited, Laura Eggertson, Canadian Press Wire, Anne Swardson, Washington Post, Keith Bradsher, New York Times, Scott Sonner, Associated Press, and Ed Alden of Inside U.S. Trade, regarding binational panel decision.
	CL	Mail	Jim Bovard, free-lance writer, copy of binational panel decision.
5/7	CL	Tel Call	Anne Swardson, Washington Post, Scott Sonner, Associated Press, and Leo Abruzzese, Journal of Commerce, regarding binational panel decision.
	CL	Mail	Leo Abruzzese, Journal of Commerce, and Phil Cogswell, Oregonian, copy of binational panel decision.
5/7	LM	Letter	Robert Samuelson, Newsweek, and Peter Passell, New York Times, enclosing copy of the binational panel decision and copy of above press release. (#9)
5/17	CL	Mail	Howell Raines, New York Times, Ken Smith, Washington Times, Bruce Stokes, National Journal, Peter Behr, Hobart Rowen, and Jim Hoagland, Washington Post, Jim Vesely, Seattle Times, Nancy Traver, Time, Amy Borrus, Business Week, Morris Thompson, Detroit Free Press, Ted Douglas, Detroit News, Terry Brown, Chicago Tribune, George Neavoll, Portland Press Herald, Mark Woodward, Bangor Daily News, Richard Mathews, Atlanta Journal, Marilyn Geewax, Atlanta Constitution, Tom Plage, LA Times, Phil Kincade, Fosters Daily Democrat, Don Scarborough, Salem Statesman Journal, Hasso Hering, Albany Democrat Herald, Don Robinson, The Register Guard, Loretta McLaughlin, Boston Globe, and Barbara Ireland, Buffalo News,

copy of the binational panel
decision.

5/21	CL	Tel Call	Jim Vesley, Seattle Times, regarding binational panel decision and possible interview.
5/27	CL	Tel Call	Jim Vesley, Seattle Times, regarding binational panel decision and possible interview.

ITEM 11 & 12

Foreign Principal: Brewers Association of Canada

Interests: Track legislation and administrative agency activity affecting international trade, prepare memoranda, and advise principal on taking, action, if appropriate, with regard to either legislative or administrative activities and to assist the Association in its communications efforts.

Key: EW - Edith Wooten
BAC - Brewers Association of Canada

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
5/13	EW	Media Alert	To attached list with attached background paper. Also sent to Leo Abruzzese, Journal of Commerce. (#10)
5/13	EW	Tel Call	Keith Bradsher, New York Times, Bob Davis, Wall Street Journal, Peter Behr, Washington Post, Anne Viegler, Washington Times, John Maggs, Journal of Commerce, Jim Berger, Washington Trade Daily; Edward Alden, Inside U.S. Trade, Alan Stowell, BNA International Trade Reporter, Nancy Waitz, Reuters Information Services, Doug Harbrecht, Business Week, Rod McQueen, Financial Post and John Saunders, Globe and Mail, regarding above media alert and background paper.
5/14	EW	Mail	Potential op-ed written by Marilyn Churley to New York Times, The Wall Street Journal, Washington Post, Washington Times and Journal of

Commerce for possible publication.
(#11)

5/25,26 EW

Fax,
Messenger

Attached environmental background paper sent to: Keith Bradsher, New York Times, Asra Nomani, Wall Street Journal, Peter Behr, Washington Post, David Sands, Washington Times, John Maggs and Leo Abbruzzese, Journal of Commerce, Jim Berger, Washington Trade Daily, Edward Alden, Inside U.S. Trade, Alan Stowell, BNA International Trade Reporter, Nancy Waitz, Reuters, Kelly McParland and Rod McQueen, Financial Post, Pat Harden, The Toronto Star, John Saunders, Globe and Mail, Laura Eggertson and Calvin Woodward, Canadian Press Wire, Mike Omelus, Broadcast News Limited, Carl Hanlon, Global TV, Susan Murray, CBC, Jim O'Connell, CTV, Scott Sonner, AP, Doug Harbrecht, Business Week, Jim Bovard, Freelancer, Barbara Sweet, Thomson Newspapers, Pat Skinner, CTV, Helene Parenteau, CBC, Marie Tison, Press Canadienne. (#12)

5/25,26 EW

Tel Call

Carl Hanlon, Global TV, Susan Murray, CBC, Jim O'Connell, CTV, Kelly McParland, Financial Post, to set up interviews with Dan Gagnier.

5/28

EW

Fax

Background memo to Peter Behr of the Washington Post.

ITEM 11 & 12

Foreign Principal: Government of Ukraine

Interests: Provide assistance on the governmental and sovereign interests of Ukraine in the American press and with American public officials; provide assistance in identifying and establishing contacts with American corporations and business groups who are interested in making investments in Ukraine; and advise on communications matters in the U.S. on behalf of Ukraine.

Key: MH - Mark Helmke
JR - John Roberts
CC - Cynthia Case

Dmytro Pavlychko, Chairman, Foreign Relations Committee

Olek Bilorus, Ambassador

Valeriy Kuchinsky, Minister - Counsellor

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
12/1	JR	Tel Call	Patty Grasso, Assistant to the Director, Office of Space Commerce, U.S. Department of Commerce, regarding technical assessment mission to Ukraine.
12/2	JR	Tel Call	Jim Frelk, Director, Office of Space Commerce, U.S. Department of Commerce, regarding status of Ukrainian request for technical assessment mission.
1/13/93	JR	Tel Call	Peter Grier, Christian Science Monitor, regarding Ukraine's

position on U.S. financial assistance.

5/12	CC	Tel Call	Lally Weymoth, Washington Post, Arthur Spiegelman, Reuters, David Rieff, New Yorker, George Russell, Time, Harry Phillips, ABC, to invite them to press breakfast on 5/17/93 for Dmytro Pavlychko's visit.
5/13	CC	Tel Call	Tom Oshurne, ABC News, Bill Tucker, American Spectator, Peter Galuszka, Business Week, Cynthia Roberts, Hunter College Newspaper, David Unger, New York Times, Sima Glickman, CBS News, to invite them to press breakfast on 5/17/93 for Dmytro Pavlychko's visit.
	MH	Tel Call	Ken Meyers, Legislative Assistant, Senator Lugar's office to set up meeting with Senator Lugar and Senator Nunn for Dmytro Pavlychko, Olek Bilorus and Valeriy Kuchinsky.
5/14	CC	Tel Call	David Rieff and David Remick, New Yorker, David Unger, New York Times, Walter Isaacson and George Russell, Time, Lee Segal, New York Times, Dean Hovell and John McWethy, ABC News, Bill Tucker, American Spectator, Rob Silers, New York Review Books, Catrina Vande Hovell, The Nation, James Klurfeld, Newsday, Alex Motel, Columbia University Newspaper, Jim Chase, Bard College Newspaper, Bill Lewers, The Met, Tom Post and Russell Watson, Newsweek, to invite them to press breakfast on 5/17/93 for Dmytro Pavlychko's visit.
5/17	CC	Meeting	Press Breakfast with Lally Weymoth, Washington Post, George Russell, Time, Arthur Spiegelman, Reuters, Cynthia Roberts, Hunter College Newspaper, Sima Glickman, CBS News, Kristina Lew, Ukrainian Weekly.
	CC	Meeting	Mike Oreskes, New York Times.

5/18	MH	Meeting	Senators Lugar and Nunn, Ken Meyers, Senator Lugar's office and Dmytro Pavlychko, Olek Bilorus and Valeriy Kuchinsky to discuss situation in Ukraine.
	CC	Tel Calls	George Russell, Time, Arthur Spiegelman, Reuters, David Unger, New York Times and David Remnick, New Yorker as follow up to press breakfast.

ITEM 11 & 12

Foreign Principal: Ministry of the Secretary Generalship
of the Government of Chile

Interests: Help promote through strategic communication support, Chile's interest in free-trade relations with the United States; explain to the news media and government officials, if necessary, through oral and written communications, the nature of Chile's interests; monitor the new media; and advise on communications matters in the U.S.

Key: JR - John Roberts
CC - Cynthia Case

Minister Alejandro Foxley
Minister of Finance

Minister Jorge Marshall
Minister of the Economy

Minister Edgardo Boeninger
Secretary General of the Presidency

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
3/22/93	CC	Tel Call	Keith Bradsher, New York Times, Peter Truell, Wall Street Journal, Chris Marquis, Miami Herald, Robert Hillman, Dallas Morning News, David Haskill, Reuters, Owen Ullman, Knight-Ridder and Carl Hulse, New York Times, to invite them to attend Minister Foxley's speech at the Brookings Institute on March 26, 1993.
3/23	CC	Tel Call	Patricia Andreu, Telemundo, Victor Aviles, Notimex News Agency, Ana Baron, Somos, Everett Bauman and

Jose Carreno of El Universal, Delia Linares, Venpres, Rodolfo Medina, Uno Mas Uno, Annette Lopez, ECO-TV, Jose Nava, Excelsior, Jose Passos, O Globo and Yolanda Sanchez, Televisa to invite them to attend Minister Foxley's speech at the Brookings Institute on March 26, 1993.

4/8	JR	Tel Call	Michael Frisby, Wall Street Journal, regarding Chilean view of fast-track extension.
4/9	JR	Tel Call	Asra Nomani, Wall Street Journal regarding Chilean view of fast-track extension.
4/13	CC	Tel Call	Steve Goldstein, Jan Schaffer, Jeff Brown and Don Kimmelman of the Philadelphia Inquirer to set up meeting with them and Minister Marshall on April 23, 1993.
4/19	JR	Tel Call	Jeffrey Frank, Washington Post, regarding transmittal of op-ed by Minister Boeninger regarding Russia and Chile. Also sent copy of op-ed to him.
4/20	CC	Tel Call	David Asman, Wall Street Journal, Keith Bradsher, New York Times, Peter Behr, Washington Post, Richard Lawrence, Journal of Commerce and George Russell, Time Magazine to set up interviews for Minister Boeninger.
4/21	CC	Tel Call	Steve Goldstein, Philadelphia Inquirer, David Haskill, Reuters, David Anderson, New York Times, and John Pearson, Business Week to set up interviews for Minister Boeninger.
4/22	CC	Tel Call	Chris Marquis, Miami Herald, Bruce Stokes, National Journal and Juan Walte, USA Today, to set up interviews for Minister Boeninger.
		Tel Call	Don Kimmelman, Philadelphia Inquirer, to confirm editorial board meeting.

	CC	Meeting	Keith Bradsher, New York Times, and Minister Boeninger to discuss Chile/free-trade agreement. Received press kit as filed on May 3, 1993, with dissemination report.
	CC	Meeting	Peter Behr, Washington Post and Ministers Boeninger and Marshall to discuss Chile/free-trade agreement. Received press kit as filed on May 3, 1993, with dissemination report.
4/23	CC	Meeting	Philadelphia Inquirer Editorial Board Meeting with Minister Marshall and David Boldt, Don Kimmelman and Bob Rosenthal. Each received press kit filed on May 3, 1993, with dissemination report.
4/26	CC	Tel Call	David Anderson and David Unger, New York Times to set up editorial board meeting.
	CC	Tel Call	Steve Goldstein, Philadelphia Inquirer, Richard Lawrence, Journal of Commerce, David Haskill, Reuters, Juan Walte, USA Today, Greg Wright, Knight-Ridder to confirm attendance at press breakfast for Minister Boeninger.
4/27	CC	Tel Call	David Asman, Wall Street Journal, David Unger, New York Times, John Pearson, Business Week, George Russell, Time Magazine, to confirm press appointments for Minister Boeninger.
	CC	Meeting	Breakfast with Juan Walte, USA Today, Steve Goldstein, Philadelphia Inquirer, David Haskill, Reuters, Richard Lawrence, Journal of Commerce, and Minister Boeninger to discuss Chile/free-trade agreement. Press kits given to Goldstein, Haskill and Lawrence, as filed on May 3, 1993, with dissemination report.
4/28	CC	Meetings	David Asman, Wall Street Journal, George Russell and Michael Serrill, Time Magazine, John Pearson, Business Week, David Unger, New York Times, and Minister Boeninger

to discuss Chile/free-trade agreement. Press kits given as filed on May 3, 1993, with dissemination report.

4/29	CC	Tel Call	George Russell, Time Magazine, as follow up after meeting.
4/29	JR	Tel Call	Jerry Hagstrom, National Journal, regarding Chile and the FTA. Given press kit as filed on May 3, 1993, with dissemination report.
4/30	JR	Meeting	John McLaughlin, Oliver Productions, Inc., regarding U.S. trade policy and Chile.
5/3	CC	Meeting	David Asman, Wall Street Journal, to discuss background on Chile.
5/10	JR	Tel Call	Jerry Hagstrom, National Journal, regarding visit to Chile to report on trade issues and arrangement of interviews.
5/25	CC	Tel Call	Harry Phillips, Prime Time Live, to discuss Cosner trip to Easter Island, Chile.
	CC	Tel Call	George Russell, Time, to discuss profile piece on Chile sometime this summer.
5/28	JR	Tel Call	Steve Tuemmler, Oliver Productions, Inc., regarding U.S. trade policy and Chile.

ITEM 11 & 12

Foreign Principal: The Government of Norway

Interests: Prepare relevant materials for the Government of Norway on matters of international bilateral and multi-lateral trade policy, energy policy, environmental issues (including management of marine resources) and issues of common interest to the United States and Norway; explain to the news media and government officials, if necessary, through oral and written communications, the nature of Chile's interests; monitor the new media; and advise on communications matters in the U.S.

<u>Date</u>	<u>Person</u>	<u>Nature of Contact</u>	<u>Individual Contacted</u>
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12/1/92 to 5/31/93

NO REPORTABLE ACTIVITIES THIS PERIOD.

ITEM 14(a)

<u>DATE</u>	<u>FROM WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92	MELCO	Compensation	7,500.00
	JAPIA	"	9,914.63
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00
	Government of Abu Dhabi- Washington Office	"	81,200.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
1/93	MELCO	"	7,500.00
	JAPIA	"	9,922.91
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00
	Government of Abu Dhabi- Washington Office	"	29,940.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
2/93	MELCO	"	7,500.00
	JAPIA	"	9,948.16
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00
	Government of Abu Dhabi- Washington Office	"	31,475.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
3/93	MELCO	"	7,500.00
	JAPIA	"	9,982.93
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00

	Government of Abu Dhabi- Washington Office	"	40,000.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
4/93	MELCO	"	7,500.00
	JAPIA	"	9,920.16
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00
	Government of Abu Dhabi- Washington Office	"	48,855.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
	Government of Chile	"	50,000.00
	Government of Norway	"	15,281.25
5/93	MELCO	"	7,500.00
	JAPIA	"	9,934.10
	Government of Abu Dhabi- Abu Dhabi Press Liaison Office	"	60,000.00
	Government of Abu Dhabi- Washington Office	"	63,625.00
	Canadian Forest Industries Council	"	9,600.00
	Brewers Association of Canada	"	5,000.00
	Government of Norway	"	15,297.50
Total	\$ 927,896.64		

ITEM 15(a)

MITSUBISHI ELECTRIC CORPORATION

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/92 Agency	Reimburse Expenses	
	Information Services	125.00
	Telephone/Telecopy	90.89
	Photocopying	51.80
	Lunch with Minister Noboru of Embassy of Japan	64.23
1/93 Agency	Reimburse Expenses	
	Information Services	125.00
	Newswire Services	90.75
	Telephone/Telecopy	86.80
2/93 Agency	Reimburse Expenses	
	Information Services	125.00
	Telephone/Telecopy	58.72
3/93 Agency	Reimburse Expenses	
	Telephone/Telecopy	23.42
	Photocopying	5.60
	Information Services	125.00
4/93 Agency	Reimburse Expenses	
	Information Services	125.00
	Telephone/Telecopy	495.49
	Postage	6.50
	Local Transportation	432.20
	Airfare, J. Lake, 2/19-2/27/93, roundtrip Washington, D.C./Tokyo, to visit with client to discuss strategy and developments.	
		2,896.23
	Lodging while in Tokyo	2,367.51
	Meals while in Tokyo	1,441.43

1 JUN 1993

For Six Month Period Ending _____
(Insert date)

Name of Registrant

Registration No.

Robinson, Lake, Lerer & Montgomery/

3911

The Sawyer Miller Group
Business Address of Registrant

1667 K Street, N.W., #900
Washington, D.C. 20006

I-REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

- | | | |
|-----------------------|------------------------------|-----------------------------|
| (1) Residence address | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Citizenship | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Occupation | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

(b) If an organization:

- | | | |
|--------------------------|---|--|
| (1) Name | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Ownership or control | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (3) Branch offices | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

2. Explain fully all changes, if any, indicated in item 1.

Name has been changed from Robinson, Lake, Lerer & Montgomery to Robinson, Lake, Lerer & Montgomery/The Sawyer Miller Group.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name	Position
------	----------

59 JUN 50 AM 10:17
 INTERNAL SECURITY
 SECTION
 REGISTRATION UNIT
 Date Connection Ended

4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?
 Yes No

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed
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5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal?
 Yes No

If yes, identify each such person and describe his services.

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name	Position or connection	Date terminated
MaryHelen Thompson	Vice President	3/15/93
Janet Lake	Vice President	3/5/93
Cary Walker	Vice President	1/8/93

7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity? Yes No

If yes, furnish the following information:

Name	Residence Address	Position or connection	Date connection began
Ulrike Szalay	850 N. Randolph Street Arlington, Virginia 22203	Associate	4/1/93*
Laura Hughes	102 W. Mason Drive Alexandria, VA 22301	Associate	4/1/93*
Thomas Bruce	1820 Ontario Place, N.W. Washington, D.C. 20009	President	4/1/93*
James Meszaros	3113 Patrick Henry Drive Falls Church, VA 22044	Sr. Vice Pres.	4/1/93*
Mark Malloch Brown	3128 P Street, N.W. Washington, D.C. 20007	Principal	4/1/93*
Cynthia Case	218 5th Street, N.E. Washington, D.C. 20002	Associate	4/1/93*

- * As of 4/1/93, all became employees of Robinson, Lake, Lerer & Montgomery/
 The Sawyer Miller Group due to merger, thereby necessitating registration
 under new firm name.

II—FOREIGN PRINCIPAL

8. Has your connection with any foreign principal ended during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name of foreign principal Date of Termination

9. Have you acquired any new foreign principal¹ during this 6 month reporting period? Yes No

If yes, furnish following information:

Name and address of foreign principal Date acquired
Ministry of the Secretary Generalship of the Government of Chile, Palacio de la Moneda, Santiago, Chile 3/31/93
Government of Norway, Royal Norwegian Embassy, Washington, D.C. 4/1/93

10. In addition to those named in Items 8 and 9, if any, list the foreign principals¹ whom you continued to represent during the 6 month reporting period. Mitsubishi Electric, Japan Auto Parts Industry Association, Minolta Camera, Government of Abu Dhabi, Canadian Forest Industry Council, Brewers Association of Canada, Ukraine

III—ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes No

If yes, identify each such foreign principal and describe in full detail your activities and services:

See Attached

¹The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity² as defined below?
Yes No

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

See Attached

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes No

If yes, describe fully.

²The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV-FINANCIAL INFORMATION

14. (a) RECEIPTS-MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.³

<i>Date</i>	<i>From Whom</i>	<i>Purpose</i>	<i>Amount</i>
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See Attached

Total

(b) RECEIPTS-THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁴ other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal? Yes No

If yes, furnish the following information:

<i>Name of foreign principal</i>	<i>Date received</i>	<i>Description of thing of value</i>	<i>Purpose</i>
--------------------------------------	--------------------------	--	----------------

³A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).
⁴Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) **DISBURSEMENTS—MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes No

(2) transmitted monies to any such foreign principal? Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

<i>Date</i>	<i>To Whom</i>	<i>Purpose</i>	<i>Amount</i>
-------------	----------------	----------------	---------------

See Attached

Total

15. (b) DISBURSEMENTS—THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value⁵ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes No

If yes, furnish the following information:

<i>Date disposed</i>	<i>Name of person to whom given</i>	<i>On behalf of what foreign principal</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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(c) DISBURSEMENTS—POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value⁵ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes No

If yes, furnish the following information:

<i>Date</i>	<i>Amount or thing of value</i>	<i>Name of political organization</i>	<i>Name of candidate</i>
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V—POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes No

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal.

Government of Chile

⁵Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda? Yes No

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

- Radio or TV broadcasts
- Magazine or newspaper articles
- Motion picture films
- Letters or telegrams
- Advertising campaigns
- Press releases
- Pamphlets or other publications
- Lectures or speeches

Other (specify) Background Papers

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

- Public Officials
- Newspapers
- Libraries
- Legislators
- Editors
- Educational institutions
- Government agencies
- Civic groups or associations
- Nationality groups
- Other (specify) _____

21. What language was used in this political propaganda:

- English
- Other (specify) _____

22. Did you file with the Registration Section, U.S. Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period? Yes No

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes No

24. Did you file with the Registration Section, U.S. Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act? Yes No

VI--EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

- Exhibit A⁶ Yes No
- Exhibit B⁷ Yes No

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes No

If yes, have you filed an amendment to these exhibits? Yes No

If no, please attach the required amendment.

⁶The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.
⁷The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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AN INSTRUCTIVE EXAMPLE OF U.S. RESPONSE TO EUROPEAN PACKAGING REGULATIONS

◆◆ GERMAN RULES ON REFILLABLE CONTAINERS. Currently, 72% of carbonated beverages (and also milk) are required to be in refillable containers a figure that rises to 81% by 2000. However, the U.S. has not put a 50% duty on imported beer from Germany? The legislation in Germany that spawned the Duales (or "green dot") System has many other provisions that discriminate between beverage packaging and other packaging products. The refillables quota is illustrative of much more packaging activity. There are similar stringent regulations in Finland, the Netherlands, Belgium, Denmark, Scandinavian countries, and soon in the EC. The U.S. sells beer into these markets and yet the USTR has not attempted to force these countries to back down on their environmental commitment to refillables.

A PROPOSAL TO FORCE REFILLABLES INTO THE BEVERAGE MARKET

◆◆ MINNESOTA'S PROPOSED REFILLABLE LAW. Assemblyman Willard Munger has introduced Bill HF-65 that would mandate 5% of beverages from distributors to be sold in refillable containers by 1995 a percentage increasing to 20% by 2001. The beverages include water, soft drinks, milk, beer and ale. Assemblyman Munger is the Chair of the Environment Committee of the Minnesota Legislature. If industry does not meet the regulatory goal, the proposal calls for a 10¢ per container deposit.

◆◆ In short, a large number of states, provinces and countries are convinced that refillables are the environmentally preferred packaging method for beverages. In fact, two other states have introduced legislation that favours refillables. In Oklahoma, Representative Gary York has introduced bill HB 1189 mandating a 5¢ deposit on non-refillable glass beverage containers. In Vermont, proposed bill H302 exempts refillable containers from escheat provisions of the deposit/refund system (proposed Vermont bills H.79, H.35 and S.4 would expand the deposit refund system to all beverages and increase the amount of the deposit to 10¢).

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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② ENVIRONMENTAL REGULATIONS THAT NEGATIVELY IMPACT THE COST OR AVAILABILITY OF IMPORTED PRODUCTS COMPARED TO DOMESTIC U.S. PRODUCTS

The examples below counter the USTR's argument that the Ontario levy is a trade barrier because U.S. beer manufacturers are made less competitive by the levy. The fact that foreign goods may become less competitive as a result, has not stopped most U.S. states from creating environmental regulations that more negatively impact imports. The economic significance of the regulations described below is far in excess of the impact of the Ontario levy. These examples expand the analysis beyond environmental initiatives for beverage containers.

ENVIRONMENTAL HURDLES FOR CANADA'S LARGEST COMMODITY EXPORT INDUSTRY

◆ RECYCLED CONTENT IN NEWSPRINT LAWS. Canada is the foremost producer of pulp and newsprint in the world and its competitiveness has been degraded because numerous American jurisdictions have legislated minimum recycled content in newsprint. American newsprint companies have an advantage over Canadian companies in responding to such environmental regulation because of their proximity to the "urban forests" or large cities in the U.S. Canadian firms that annually export over \$5 billion of newsprint to the U.S. (over half of the U.S. consumption) are less competitive because of these laws.

**"The added cost of importing waste paper will
undermine the competitive position of Canadian
production."**

- The Canadian Pulp and Paper Association

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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Note that these recycled content requirements do not apply to catalogs, books, printed matter, telephone directories or magazines. The USTR would have to logically conclude that this a trade barrier disguised as an environmental initiative and that the differential application to some paper products proves there is an uneven playing field. The only difference between state recycled newsprint "rates and dates" laws and the Ontario levy is that the newsprint industry is close to ten times the size of the Ontario beer industry. How would the USTR respond to the environmental levy if the Ontario beer industry was ten times the size and if the U.S. already held a 50% market share? Canadians generally recognize the legitimacy of recycled content laws mandated by various states.

California is a state with a population roughly equivalent to all of Canada. California's law provides a typical example of this legislation, requiring 25% recycled content in newsprint for every newspaper. By the year 2000, the percentage rises to 50%. There are too many situations to describe here, but there are similar laws in Arizona, Connecticut, D.C., Florida, Illinois, Maryland, Missouri, North Carolina, Oregon, Rhode Island, Texas, West Virginia and Wisconsin. In total, there are 24 states that currently require or have set future dates for recycled content in newsprint. In all, these states comprise over 2/3 of the U.S. population.

There are some states like Maryland and Oregon that have mandated dates for telephone directory printers to use recycled content but they have not leveled the playing field by requiring the same of magazines, catalogs, etc.

The Wall Street Journal revealed in 1991 that (ironically) the lobbying and donations in support of the California recycled content bill was made by local manufacturers of newsprint. The Clinton administration has stated support for proposed national legislation for recycled content in newsprint.

◆◆ CALIFORNIA RECYCLED CONTENT IN GLASS. California requires 15% recycled glass content in beverage containers a percentage that rises to 65% by the year 2000. Since Canadian manufacturers selling beer into that market recapture, wash and reuse 55 to 65% of their bottles, recycled glass content laws disadvantage Canadian producers. Oregon also has a minimum recycled content law for glass containers.

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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AN EFFECTIVE BAN ON CANADIAN IMPORTS

◆ GASOLINE FORMULATIONS REGULATED TO COMBAT SMOG. Several U.S. states lead by California and the New England states (and even including some municipalities) have proposed legislation on gasoline fuel formulations to combat smog¹. For some of the proposed formulations, no Canadian refinery can manufacture to those specifications. If implemented, such legislation would effectively ban imports of refined gasoline from Canada on environmental grounds. The volume of commercial trade in refined fuels between Canada and the U.S. is hundreds of millions of dollars per year. Logically, the USTR would have to argue that the U.S. states have no right to exclude Canadian gasoline producers from selling into those U.S. markets. At least in the case of beverage containers, there are U.S. manufacturers making refillables currently.

INCENTIVES THAT FAVOUR PACKAGING AND PRODUCTS WITH RECYCLED CONTENT

Almost all states have regulations that encourage manufacture of products with recycled content. The most typical incentives are through direct and indirect subsidies, procurement standards and minimum content rules. In each of these three broad categories, Canadian firms can find themselves in a position of lessened competitiveness either because they are not eligible for subsidies or because sourcing recycled material feedstock is more expensive for Canadians than for U.S. firms (similar to the situation with newsprint). Nevertheless, such market development incentives are seen by U.S. states as valid environmental encouragements despite their potential impact on firms selling into the jurisdiction. The USTR would presumably have to conclude that it is unfair for any U.S. state rule to encourage recycled content by these methods and sound development or markets for recycled materials would be prohibited.

¹ information obtained from the Centre for Trade Policy and Law, Ottawa, Ontario, Canada

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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◆ **DIRECT SUBSIDIES FOR RECYCLED MATERIALS.** The March 1993 edition of Waste Age reported that, "A growing number of states are providing tax credits to support the use of recycled materials." In total, 27 states have some form of incentives for recycled materials. These states offer tax credits, tax exemptions, technical assistance, expedited permitting and loan assistance.

◆ **RECYCLED CONTENT PROCUREMENT STANDARDS IN STATES.** Over 40 states and the federal government have enacted legislation or set policy that encourages purchasing materials with recycled content, over 20 of these states go beyond paper procurement policies. When it comes to manufacturing anything from glass to paper or plastic to metal with recycled content, U.S. business has a advantage, on average over Canadian manufacturers because of their proximity to quantities of recycled material inputs.

◆ **RECYCLED CONTENT REQUIREMENTS FOR PRODUCTS.** In California, by 1994, all fiberglass will require 30% recycled content and by 1993, garbage bags must contain 10% post consumer plastic. A number of similar recycled content regulations exist for plastic, paper fibre, glass and metal products in several states including NC, RI, WI, NY and FL.

⊕ ENVIRONMENTAL REGULATIONS THAT ARE BASED ON DISPUTED ENVIRONMENTAL LIFECYCLE ANALYSIS THAT IMPACT COMPETING PRODUCTS DIFFERENTLY

Some products have been banned or taxed differentially based on environmental grounds - such is the case in Ontario with alcohol beverage packaging and such is the case in a number of states. This report has documented many examples of differential treatment based on environmental grounds, but some regulations, more than others have been hotly disputed on environmental grounds. This has not stopped U.S. jurisdictions from enacting laws based on their understanding of environmental principles. Consider the following two examples:

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

- 12 -

◆◆ MAINE BANS ASEPTIC PACKAGING. This example has been cited here again because it illustrates a hotly debated environmental life cycle analysis. Several studies show the Tetra-Pak as more environmentally benign than competing beverage packaging systems. The Tetra-Pak was winning United Nations awards for its health benefits at the same time that it was being banned in the state of Maine.

◆◆ NEW YORK'S SUFFOLK COUNTY BANS PLASTIC CUPS AND HAMBURGER CONTAINERS. In 1991, NY state's highest court, ruled in favour of the ban. The law was originally enacted in 1988. The ban is on retail Polystyrene and Poly Vinyl Chloride for food packaging as well as plastic grocery bags. Some studies that show it is not clear whether plastics or paper-fibre is environmentally superior for containing fast foods, retail foods and as carrying bags. Since 1989, polystyrene and other rigid food containers have been banned in ME, NC (may be repealed), SD WI and Portland OR.

It would certainly be possible to find someone to strenuously argue against any or all of the U.S. regulations in this report on environmental grounds. The two examples above are the ones that create the greatest controversy about their environmental validity, but each and every environmental initiative can be characterized as nonenvironmental and having been created for another motive (if one looks long enough for an antagonist).

**U.S. Environmental Regulations Comparable
to the Ontario Environmental Levy**
- 13 -

CONCLUDING REMARKS

The USTR's position on the Ontario Environmental Levy cannot be considered valid considering the weight of evidence from U.S. environmental laws that in essence and effect are the same as the levy. Almost every state has enacted environmental laws that are analogous to the levy and many other examples have been left out of this analysis.

Once again it is important to note that nothing in this report should be construed as suggesting that the U.S. environmental regulations discussed are environmentally invalid. On the contrary, U.S. states have the right and responsibility to enact appropriate environmental regulations for their setting, based on a sincere belief in what is the best for the environment. The same is true of Ontario with its environmental levy.

By and large, Canadians and most Americans recognize the legitimacy and even the environmental necessity of the various measures cited in this report. Using the USTR's approach to Ontario's levy, however, each would be suspected as some form of illegal trade discrimination. Such labeling would be as unjustified as the USTR's position on the Ontario Environmental Levy.

CANDIDATE'S NAME:

4. DR S AKHTAR

Candidate's principal Country of Residence:

Qatar

Branch(es) of BCCI S.A. where the Creditor held an account:

Hyde Park, London

Admitted value of claim for Voting purposes:

US\$ 100,315

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

G.P., now retired.

Reasons for standing for the Liquidation Committee (no more than 80 words)

I felt that there must be a representation of the non-UK resident Creditors who have lost their life-long earned funds in the winding up of BCCI.

CANDIDATE'S NAME:

5. **MOHAMMED D ALKALI**

Candidate's principal Country of Residence:

England

Branch(es) of BCCI S.A. where the Creditor held an account:

Piccadilly Branch, London

Admitted value of claim for Voting purposes:

US\$ 87,891

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Citizenship - Nigerian
Profession - Businessman
Occupation - a) Chairman/MD - Amasons International Ltd, since 1983
b) Chairman/MD - Amasons International (UK) Ltd
c) Appointed by the Fed. Govt. of Nigeria to serve on the board of Jos Steel Rolling Co. Ltd from 1988 - 1990.
d) Chairman, Mohammed Alkali & Company

Reasons for standing for the Liquidation Committee (no more than 80 words)

My reason is the desire to serve all victims affected by this unfortunate incident, and to make sure the victims are aware of the efforts being made on their behalf by the Liquidation Committee and the Joint Liquidators in order to secure maximum compensation for all.

CANDIDATE'S NAME:

6. MASOOD ARIFF

Candidate's principal Country of Residence:

England

Branch(es) of BCCI S.A. where the Creditor held an account:

Commercial Road. London
Leadenhall Street. London

Admitted value of claim for Voting purposes:

US\$ 7,056

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Able and qualified senior banker aged 49 years with wide experience over a span of 30 years in international operations, branch banking and staffing practice and policies.

Reasons for standing for the Liquidation Committee (no more than 80 words)

Being widely conversant with BCCI's systems and operations, I was asked to stay on after the Bank's closure in order to assist the liquidators. The experience gained during this period will enable me to make a worthwhile contribution to the work of the Liquidation Committee, both from the point of view of banking issues and the interest of Creditors.

I am presently a member of the informal Creditors Committee.

CANDIDATE'S NAME:

7. BANQUE MISR S.A.E.

Candidate's principal Country of Residence:

Egypt

Name of Representative:

Mohamed Ali Hafez - Chairman

Branch(es) of BCCI S.A. where the Creditor held an account:

Major accounts held with:

- BCCI SA, London
- BCCI SA, Tokyo, Japan
- BCCI SA, Frankfurt, Germany
- BCCI SA, Abu Dhabi, U A E

Admitted value of claim for Voting purposes:

US\$ 22,291,041

Other Significant Relationships with other related BCCI entities:

Substantial deposits with BCCI (Overseas) Grand Cayman and Paris
Deposits and accounts with BCCI Hong Kong
Claims against BCCI Holdings SA Luxembourg
Members of the Creditors Committee of BCCI Holdings SA
Members of BCCI (Overseas) Grand Cayman Creditors Committee
Claims from BCCI Hong Kong, BCCI Canada and others.

Any relevant personal information about the Representative:

Mr Mohamed Ali Hafez, Chairman of Banque Misr since March 1990, started his banking career with Banque Misr after graduation in 1956. He occupied different banking positions until he became a member of the Board of Directors of the Bank in 1985. He became Deputy Chairman of the Bank in 1987. He is currently the Chairman of Banque Misr, Deputy Chairman of Misr International Bank S.A.E. and Chairman of the Board of Directors of Misr Bank Europe GmbH.

Reasons for standing for the Liquidation Committee (no more than 80 words):

Banque Misr, founded in 1920, with a network of 380 branches, took the initiative to solve the problem of the depositors of BCC (Misr) by becoming its legal successor by merger in accordance with Egyptian Banking Law.

All depositors were able to receive 100% of their deposits. Branches of BCCM have become viable and are banking normally as part of Banque Misr.

Banque Misr is able to play a positive role to maximise returns to the Creditors through the Liquidation.

CANDIDATE'S NAME:

8. BURY METROPOLITAN DISTRICT COUNCIL

Candidate's principal Country of Residence:

England

Name of Representative:

Brian Edward Nigel Smallridge

Branch(es) of BCCI S.A. where the Creditor held an account:

Glasgow, Scotland

Admitted value of claim for Voting purposes:

US\$ 13,000,358

Other Significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Director of Finance for Bury Metropolitan District Council responsible for all Treasury management functions.

Reasons for standing for the Liquidation Committee (no more than 80 words):

I am a member of the current BCCI Creditors' Committee appointed in January 1992. As a result I have a detailed knowledge of the Liquidation so far, which experience will assist me in ensuring the continuing work by the Liquidators is efficiently and economically carried out.

My long experience as Director of Finance to a Metropolitan District Council, with an annual turnover of £200 million, will help me to ensure that the interests of all Creditors are properly looked after.

CANDIDATE'S NAME:

9. CENTURY LIFE PLC

Candidate's principal Country of Residence:

England

Name of Representative:

M J de H Bell

Branch(es) of BCCI S.A. where the Creditor held an account:

Leadenhall Street, London
Cannon Street, London

Admitted value of claim for Voting purposes:

US\$ 30,729,619

Other Significant Relationships with other related BCCI entities:

R Watson & Sons are consulting actuaries to the trustees of the BCCI Staff Pension Scheme and M J de H Bell, was up to August 1992, the nominated partner of the firm responsible for the advice given.

Any relevant personal information about the Representative:

M J de H Bell (age 52), FIA, FPMI, is a director of Century Life plc. From 1967 to April 1993 he was a full-time partner in R Watson & Sons, Consulting Actuaries.

Reasons for standing for the Liquidation Committee (no more than 80 words):

In September 1992 Century Group acquired CCL Assurance Limited, a life assurance company which had invested part of its long-term funds with BCCI. This business was subsequently transferred to Century Life plc, under the provisions of the Insurance Companies Act 1982, so that Century Life became a Creditor of BCCI. Our reason for standing for the Committee is to help protect the interests of those policyholders of CCL Assurance who have suffered as a result of BCCI's Liquidation.

CANDIDATE'S NAME:

10. DART EXPRESS SERVICES

No profile submitted.

CANDIDATE'S NAME:

11. DR ADIL R ELIAS

Candidate's principal Country of Residence:

USA

Branch(es) of BCCI S.A. where the Creditor held an account:

Edgware Road, London

Admitted value of claim for Voting purposes:

US\$ 1,986,957

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information:

Member British Institute of Mechanical Engineers.
Member American Society of Mechanical Engineers.
Member British Institute of Management.
Holder PhD. London University.
Consultant to many International Organisations in the Middle East.
Attended many global conferences in the field of marketing, engineering and construction.

Reasons for standing for the Liquidation Committee (no more than 80 words):

I have been involved in the liquidation since July 1991, both as Chairman of the Depositors Protection Association and on the Creditors' Committee.

I am appealing in the Luxembourg Court against the Contribution and Pooling agreements as I strongly believe the compensation offered to depositors is inadequate, having regard to the responsibilities of the Majority Shareholder.

I will devote myself to serving on a Liquidation Committee to protect the rights of all victims using my international experience to benefit Creditors.

CANDIDATE'S NAME:

12. CHIEF MALACHY Q EZEILO

No profile submitted.

CANDIDATE'S NAME:

13. FICCI INVESTMENTS LIMITED

Candidate's principal Country of Residence:

England

Name of Representative:

Paul Henry Barron Pascoe

Branch(es) of BCCI S.A. where the Creditor held an account:

Piccadilly, London

Admitted value of claim for Voting purposes:

US\$ 246,153

Other Significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

A Solicitor of the Supreme Court with experience in commercial law and insolvency.

Reasons for standing for the Liquidation Committee (no more than 80 words):

Have attended several of the substantial court hearings in the High Court and already have a good grasp of many of the issues; have an extensive and good working relationship with nationals of many Gulf states which gives an understanding of religious, cultural and financial matters of relevance; have been involved since 5 July 1991 with this tragedy and wish to help Creditors make the best of a bad situation.

CANDIDATE'S NAME:

14. FILM & PHOTO PENSION FUND

Candidate's principal Country of Residence:

England

Name of Representative:

Anthony Peter James Scott

Branch(es) of BCCIS.A. where the Creditor held an account:

Earls Court, London

Admitted value of claim for Voting purposes:

US\$ 1,178,355

Other Significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

As our representative lives in London he will have no problem attending any meetings even at short notice and having sat on the informal Creditors Committee since January 1992 now has valuable experience of what is required from a committee member.

Reasons for standing for the Liquidation Committee (no more than 80 words):

As a founder member of the BCCI Depositors Protection Association (DPA) I, with other committee members of the DPA, campaigned for the formation of the informal Liquidation Committee and have vigorously pursued Creditors democracy within the confines of confidentiality.

Having served on this informal Creditors' Committee since inception, challenging the Liquidation where necessary and attending every meeting, I believe I am in a unique position to offer my experience and energies to Creditors.

CANDIDATE'S NAME:

15. **PROFESSOR SAID MOHAMED ALI IBRAHIM**

Candidate's principal Country of Residence:

Egypt

Branch(es) of BCCI S.A. where the Creditor held an account:

Earls Court, London

Admitted value of claim for Voting purposes:

US\$ 300,368

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information:

B.Sc., M.Sc., Ph.D. (England, 1973)
Professor, Faculty of Engineering, Al-Azhar University, Cairo, Egypt
Chartered Consultant Engineer
International & National Consultant Engineer for several major projects since 1973
Evaluation Expert for the Egyptian Taxation Department
Umpire and Arbitrator for multi-million pound disputes

Reasons for standing for the Liquidation Committee (no more than 80 words):

I have the expertise and time to be actively involved in all the duties of the Liquidation Committee. I have long experience in the evaluation and negotiations of similar situations through my work experience detailed above.

I am familiar with BCCI Liquidation problems and have contacts with several Creditors who asked me to stand for this nomination.

I promise to do my best to get the best deal for us all. Remember I am one of you.

CANDIDATE'S NAME:

16. ISLE OF MAN DEPOSITORS COMPENSATION SCHEME

Candidate's principal Country of Residence:

Isle of Man

Name of Representative:

Michael Patrick Weldon

Branch(es) of BCCI S.A. where the Creditor held an account:

Isle of Man

Admitted value of claim for Voting purposes:

US\$ 99,000,000

Other Significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Michael Weldon B.A. (Hons), F.C.C.A. is Secretary of the Isle of Man Depositors Compensation Scheme which was activated for the first time by the closure of BCCI S.A.. He has worked for the Financial Supervision Commission for in excess of nine years.

Reasons for standing for the Liquidation Committee (no more than 80 words):

The Isle of Man Depositors Compensation Scheme is the principal Creditor of BCCI in the Isle of Man. Amounts due represent the aggregate balances of approximately 3,600 depositors who have claimed under the Scheme and who have consequently agreed to assign their full Creditor rights to the Scheme Manager. The Scheme Manager therefore has a significant interest in the conduct of the Liquidation of BCCI SA and the amount and timing of any distributions.

CANDIDATE'S NAME:

17. **KALIM AHMED KHAN**

Candidate's principal Country of Residence:

USA

Branch(es) of BCCI S.A. where the Creditor held an account:

Piccadilly, London

Admitted value of claim for Voting purposes:

US\$ 53,624

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Computer Science Graduate, working as an educator with Citi-wide Colleges Chicago & Chicago Public Schools, volunteer for Chicago Volunteer Legal Services and Asian Human Services (Race-Relation), Secretary Gen. Pakistan Peoples Party III. USA & Pakistani-American Association USA. Very much involved in local community work.

Reasons for standing for the Liquidation Committee (no more than 80 words):

I am angry, anguished and frustrated over the loss of my money and monies of thousands of law abiding and honest account holders.

After depriving Creditors of their hard-earned money, the Creditors who trusted the British system have been left in chaos. They have no control over the fate of money - no news, which is causing a great deal of frustration.

I am confident that I will contribute to expedite a solution which will be acceptable to all parties.

CANDIDATE'S NAME:

18. MANCHESTER PAKISTANI WELFARE AND INFORMATION CENTRE

Candidate's principal Country of Residence:

England

Name of Representative:

Mohammad Ameen Marfani

Branch(es) of BCCI S.A. where the Creditor held an account:

Manchester

Admitted value of claim for Voting purposes:

US\$ 11,133

Other Significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Mr M A Marfani has been Honorary General Secretary of the Centre since its inception in 1966.

He has been in business in Manchester since 1958 and he established Marfani & Co. Ltd in 1963.

Reasons for standing for the Liquidation Committee (no more than 80 words):

1. Experience gained as Member of present informal Creditors' Committee will be valuable and afford continuity.
2. Able to represent the interests of small business people from the North.
3. Had been banking with BCCI since its inception.
4. Mr Marfani is often consulted by members of our Community in matters relating to finance. Has wide experience of Asian business methods and local business networks.

CANDIDATE'S NAME:

19. MR RAZAUR RAHMAN

No profile submitted.

CANDIDATE'S NAME:

20. **RHODESIA RAILWAYS
(THE RAILWAYS UNITARY SYSTEM BOARD OF MANAGEMENT)
(In Liquidation)**

Candidate's principal Country of Residence:

Zambia

Name of Representative:

Mr B L Gadsden

Branch(es) of BCCI S.A. where the Creditor held an account:

Leadenhall Street, London

Admitted value of claim for Voting purposes:

US\$ 107,517,439

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Chartered Accountant

Age: 47 years

Sole Practitioner acting as Liquidator of Rhodesia Railways.

Reasons for standing for the Liquidation Committee (no more than 80 words:

- a) To assist the Liquidators in carrying out their functions for the benefit of the unsecured Creditors; and
- b) To further the scheme of arrangement entered into between the Liquidators and the Abu Dhabi authorities.

CANDIDATE'S NAME:

21. SCANTRACO SA

Candidate's principal Country of Residence:

Switzerland

Name of Representative:

Mr Bishouri Namaan

Branch(es) of BCCI S.A. where the Creditor held an account:

Leadenhall Street, London

Admitted value of claim for Voting purposes:

US\$ 257,610

Other Significant Relationships with other related BCCI entities:

None.

Any relevant personal information about the Representative:

None.

Reasons for standing for the Liquidation Committee (no more than 80 words):

Mr Namaan is a personal Creditor of BCCI SA in London and represents Scantraco SA, a Swiss Company, a Creditor of the Leadenhall Street branch.

Scantraco SA objects to the Abu Dhabi contribution agreement as grossly inadequate and the plea bargain agreement negotiated in America as unfair to Creditors.

CANDIDATE'S NAME:

22. SHEERBONNET LIMITED

Candidate's principal Country of Residence:

England

Name of Representative:

Mr Hal Skolnik

Branch(es) of BCCI S.A. where the Creditor held an account:

Brompton Road, London

Admitted value of claim for Voting purposes:

US\$ 6,486,221

Other Significant Relationships with other related BCCI entities:

None.

Any relevant personal information about the Representative:

Mr H Skolnik is also a Creditor as an individual in his own capacity. He is a businessman of long experience.

Reasons for standing for the Liquidation Committee (no more than 80 words):

- To protect the interests of Sheerbonnet Limited who are a major Creditor, and all other Creditors.
- Sheerbonnet Limited is a member of the Informal Creditors' Committee and has been represented by Mr Skolnik. Mr Skolnik is an Appellant in the Luxembourg Court in his capacity as an individual Creditor and opposes the contribution agreement due to the inadequate compensation offered by the majority shareholder and also to the plea bargain agreement as unfair to all Creditors.

CANDIDATE'S NAME:

23. DR S M W SIDDIQI

Candidate's principal Country of Residence:

Qatar

Branch(es) of BCCI S.A. where the Creditor held an account:

Hyde Park, London

Admitted value of claim for Voting purposes:

US\$ 100,315

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Doctor in Government Service.

Reasons for standing for the Liquidation Committee (no more than 80 words):

Giving a voice to the non-UK resident Creditors.

To minimise the inherent delay which occurs in these complicated matters and to try to smoothly distribute the funds to the Creditors in a satisfactory manner.

CANDIDATE'S NAME:

24. SELVAN RAJ SOOBIAH

Candidate's principal Country of Residence:

Gibraltar

Branch(es) of BCCI S.A. where the Creditor held an account:

Brompton Road, London

Admitted value of claim for Voting purposes:

US\$ 20

Other significant Relationships with other related BCCI entities:

Account holder at BCC Gibraltar Ltd. Gibraltar

Any relevant personal information about the Representative:

I trained as a solicitor before joining BCC as a graduate trainee in 1985. I worked in London for four and a half years and thereafter in Gibraltar until closure. Since July 1991 I have been employed both by the Gibraltar Financial Services Commission and by the Joint Liquidators of BCC Gibraltar Ltd. Many of my friends and immediate family are BCC Creditors.

Reasons for standing for the Liquidation Committee (no more than 80 words):

My knowledge of BCC as a former employee and my subsequent involvement in the Gibraltar Liquidation has given me a comprehensive understanding of the human and commercial issues at stake. I remain concerned to achieve the very best for every Creditor, efficiently and expediently. My current role as Secretary to the Liquidation Committee in Gibraltar (since its establishment in March 1992) has given me considerable useful experience both in the type of work and the degree of commitment required.

CANDIDATE'S NAME:

25. VISA INTERNATIONAL SERVICE ASSOCIATION

Candidate's principal Country of Residence:

USA

Name of Representative:

Carol Walsh

Branch(es) of BCCIS.A. where the Creditor held an account:

General Unsecured Creditor of BCCI SA

Admitted value of claim for Voting purposes:

US\$ 1,884,269

Other Significant Relationships with other related BCCI entities:

Substantial Creditor of BCCI Overseas, BCCI Holdings and BCC Hong Kong. BCCI SA was a member of Visa issuing credit cards using the Visa trademark. BCCI Overseas was a member of Visa issuing travellers cheques using the Visa trademark.

Any relevant personal information about the Representative:

Carol Walsh is an Executive Vice President of Visa and its Regional General Counsel for Europe, the Middle East and Africa. She is a solicitor in England and has eight years' experience in the banking community.

Reasons for standing for the Liquidation Committee (no more than 80 words):

Visa is committed to see the maximum and earliest return to Creditors possible in the circumstances of the BCCI collapse. Visa has shown its willingness to be involved in the Liquidation of BCCI entities with this objective in mind by its participation in other Creditors' Committees abroad. Due to this and Visa's role in the worldwide banking community, Visa has the benefit of a great deal of experience and background information relating to BCCI.

BANK OF CREDIT AND COMMERCE INTERNATIONAL SA
IN LIQUIDATION

CREDITOR

Name: A.D.I.A.
Address: _____

PLEASE INDICATE WHO YOU WOULD LIKE TO APPOINT AS YOUR PROXY HOLDER IN BOX A) AND HOW YOU WOULD LIKE TO VOTE IN BOX B)

BOX A)

PROXY HOLDER

Please tick the box at 1) OR 2) indicating whether you wish to appoint a personal proxy or The Chairman

1) PERSONAL PROXY

Insert the name and address of the person you wish to appoint as your proxy holder

Name: _____
Address: _____

An alternative may be appointed in circumstances where your first choice is unable to attend

Name: _____
Address: _____

2) CHAIRMAN AS PROXY

I appoint the above person to be my proxy holder at the meeting of the creditors of BCCI SA to be held on 27 May 1993 at Wembley Arena or at any adjournment of that meeting

BOX B)

VOTING INSTRUCTIONS

Please tick the box at 3) OR 4) indicating whether you wish to appoint a SPECIAL or a GENERAL proxy

3) GENERAL PROXY HOLDER :

I wish to appoint a GENERAL proxy holder and give him complete discretion to vote or abstain as he sees fit on the day

(Please return the proxy form and blank voting card to the Liquidators. All correspondence hereafter, relating to the meeting, will be between the Liquidators and the Proxy Holder)

4) SPECIAL PROXY HOLDER :

I wish to appoint a SPECIAL proxy holder to vote as indicated on the attached voting card

(Please complete the voting card in accordance with the notes attached to it and return it, with the proxy form to the Liquidators. The proxy holder will be sent an entry card and will receive the completed voting card at the meeting. He will then formally vote on behalf of the creditor, as directed)

PLEASE RETURN THIS FORM BY - MAY 1993

SIGNATURE

The creditor, his power of attorney or, in the case of a COMPANY or JOINT ACCOUNT an authorised signatory, should sign the proxy form. The proxy holder is not required to sign the form.

Only to be completed if the creditor has not signed above.

SIGNATURE _____
This form MUST be signed

Date: _____

Relationship to creditor: _____

BANK OF CREDIT AND COMMERCE INTERNATIONAL SA IN LIQUIDATION

FIRST RESOLUTION:

A Liquidation Committee should be established:

YES

NO

Tick box as appropriate

SECOND RESOLUTION:

I wish to vote for the following candidates for election to the Liquidation Committee

1	Mr S Abdallah		14	Film & Photo Pension Fund	
2	Abu Dhabi Investment Authority		15	Professor S M A Ibrahim	
3	AFEXP Commodities (UK) Ltd		16	Isle of Man Depositors' Compensation Scheme	
4	Dr S Akhtar		17	Mr K A Khan	
5	Mr M D Alkali		18	Manchester Pakistani Welfare and Information Centre	
6	Mr M Ariff		19	WITHDRAWN (Mr R Rahman)	
7	Banque MISR SAE		20	Rhodesia Railways ("in Liquidation")	
8	Bury Metropolitan District Council		21	Scantraco S A	
9	Century Life Plc		22	Sheerbonnet Ltd	
10	Dart Express Services		23	Dr S M W Siddiqi	
11	Dr A R Elias		24	Mr S R Soobiah	
12	Chief M Q Ezeilo		25	VISA International Service Association	
13	Ficci Investments Ltd				
			TOTAL (must be 100 or less)		

Notes:

- i) Voting "NO" for the first resolution does NOT preclude you from voting in the second resolution
- ii) Vote for between ONE (1) and FIVE (5) candidates
 Either Allocate your vote equally between your chosen candidates by TICKING the boxes (see EXAMPLE 1)
 Or Split your vote, to weight it in favour of particular candidates by allocating percentages to each chosen candidate. The total MUST NOT exceed 100 (see EXAMPLE 2)
- iii) Voting is by VALUE of claim allowed for voting purposes. This value may not be the same as that admitted in the Liquidation

YOUR VOTE WILL BE INVALID IF:

- i) YOU VOTE FOR MORE THAN FIVE (5) PEOPLE
- ii) A SPLIT VOTE EXCEEDS 100
- iii) THIS VOTING CARD IS NOT SIGNED

NAME: A.D.I.A.

SIGNATURE:
Sole or First Joint Account Holder

SIGNATURE:
Additional Account Holder(s)

SIGNATURE:
Additional Account Holder(s)

SIGNATURE:
Additional Account Holder(s)

SECOND RESOLUTION

I wish to vote for the following candidates for election to the Liquidation Committee

1 A Smith		14 N Smith	
2 B Smith		15 O Smith	
3 C Smith	✓	16 P Smith	
4 D Smith		17 Q Smith	✓
5 E Smith		18 R Smith	
6 F Smith		19 S Smith	
7 G Smith	✓	20 T Smith	
8 H Smith		21 U Smith	✓
9 I Smith		22 V Smith	
10 J Smith		23 W Smith	
11 K Smith		24 X Smith	
12 L Smith		25 Y Smith	✓
13 M Smith			
		TOTAL	
		(must be 100 or less)	

EXAMPLE 2 - VOTING BY PERCENTAGE (%)

SECOND RESOLUTION:

I wish to vote for the following candidates for election to the Liquidation Committee

1 A Smith		14 N Smith	
2 B Smith	10	15 O Smith	
3 C Smith		16 P Smith	25
4 D Smith		17 Q Smith	
5 E Smith		18 R Smith	25
6 F Smith		19 S Smith	
7 G Smith		20 T Smith	
8 H Smith	30	21 U Smith	
9 I Smith		22 V Smith	
10 J Smith		23 W Smith	
11 K Smith		24 X Smith	10
12 L Smith		25 Y Smith	
13 M Smith			
		TOTAL	
		(must be 100 or less)	100

ADDENDUM TO PUBLICITY BROCHURE

Please note that candidate number 19, Mr R Rahman has withdrawn his nomination for election to the Liquidation Committee.

BANK OF CREDIT & COMMERCE INTERNATIONAL SA
(IN COMPULSORY LIQUIDATION)

MEETING OF CREDITORS ON 27 MAY 1993 AT WEMBLEY ARENA

QUESTION FORM

Creditor Name:

Address:

Telephone No.:

Branch(es) of BCCI SA where accounts were held:

QUESTION:

**N.B. Questions relating to specific accounts or disputes cannot be dealt with at the Meeting.
Questions must be of general interest to Creditors.**

.....
.....
.....
.....
.....

Signed by

For and on behalf of (if a representative)

Date:

**PLEASE RETURN THIS FORM TO THE JOINT LIQUIDATORS AS SOON AS
POSSIBLE AT THE FOLLOWING ADDRESS:**

Andrew Pearce
BCCI Claims
5th Floor
100 Leadenhall Street
London EC3A 3AD

THE MAJORITY SHAREHOLDERS OF THE BCCI GROUP

FACT SHEET FOR LONDON BASED US REPORTERS

UK CREDITORS' MEETING

BACKGROUND

- * On 15th January 1993, Sir Donald Nichols, the Vice Chancellor of the High Court in England, directed that a creditors' meeting should be convened on 27th May 1993 for the purposes of establishing a statutory Liquidation Committee of BCCI SA to replace the existing informal creditors' committee.

PURPOSE OF CREDITORS' MEETING

- * The sole purpose of the formal part of the creditors' meeting on 27th May is to:-

determine whether a statutory Liquidation Committee should be established; and

if so, to elect a maximum of five members to that Committee.

The liquidators will also provide a report, for information purposes only, on the conduct of the liquidation to date.

- * The contribution arrangements between the liquidators and the Majority Shareholders, which have been approved by the English, Cayman and Luxembourg courts, will not be voted on at the 27th May creditors' meeting.
- * There is no connection between the creditors' meeting and the ballot ordered last year by the Luxembourg Court. The purpose of the ballot was to determine whether creditors of BCCI were in favour of the contribution arrangements that the Majority Shareholders had put forward for reaching agreement with the liquidators of BCCI. Creditors voted overwhelmingly in favour of these arrangements.

ROLE OF LIQUIDATION COMMITTEE

- * The statutory role of a Liquidation Committee is to sanction certain of the liquidators' powers. Apart from this, the Liquidation Committee has a number of duties, including fixing the liquidators' remuneration.
- * On a practical level, members of the Liquidation Committee can use their specialised knowledge to give the liquidators' valuable guidance and information in the winding up of BCCI.
- * The establishment of a Liquidation Committee will replace the existing informal Creditors' Committee, established in early 1992. The informal Creditors' Committee is unsatisfactory: apart from it being unrepresentative, its establishment was unprecedented and its functions and role do not fall within any statutory framework.

ELECTION OF LIQUIDATION COMMITTEE

- * The Majority Shareholders support the election of a statutory Liquidation Committee to replace the existing informal creditors' committee.
- * The Majority Shareholders share the liquidators' concerns that the members of the informal creditors' committee currently in place were not democratically elected by the creditors of BCCI.
- * The Majority Shareholders believe that the vocal few, representing the majority on the informal creditors' committee, are not representative of the general body of creditors of BCCI SA. The value of the claims of the three most vocal creditors on the informal creditors' committee amount to less than 0.005% of all creditors of the BCCI Group.

ADIA'S NOMINATION TO LIQUIDATION COMMITTEE

- * The Abu Dhabi Investment Authority (ADIA) is one of the bodies that constitutes, together with the Department of Private Affairs of Sheikh Zayed and the Government of Abu Dhabi, the Majority Shareholders of BCCI. ADIA is a large creditor of BCCI S.A., having a claim of some US\$72m.
- * ADIA has been nominated for election to the Liquidation Committee. A copy of ADIA's profile, which is included in the publicity brochure produced by the liquidators, is attached to this fact sheet.
- * Broadly, ADIA believes that, as a major creditor of BCCI, it has the ability, as well as the greatest possible interest in, maximising returns to all creditors.

CONTRIBUTION ARRANGEMENTS

- * The Majority Shareholders and the liquidators of BCCI have initialled a plan which will significantly enhance payments to BCCI's depositors and other creditors. These contribution arrangements have been approved by courts in England, the Cayman Islands and Luxembourg, although an appeal has been filed in Luxembourg and there are a number of formal steps which need to be completed prior to the implementation of the proposed arrangements. The Luxembourg appeal is to be heard in May and June 1993. It is anticipated that judgment will be delivered by the Court before the end of July.
- * The contribution arrangements are based on proposals which combine the provision of a very substantial payment by the Majority Shareholders, the assumption by the Majority Shareholders of certain liabilities of BCCI branches in the United Arab Emirates (see below), a pooling of BCCI assets, and a waiving of substantial legal claims of some US\$2.2 billion that the Majority Shareholders have against BCCI.

- * It is believed that the benefits to depositors and creditors of the arrangements will be three to four times greater (and the payments distributed much sooner) than if there were no plan in place.
- * Without the Majority Shareholders' support for these arrangements, estimates indicated that the return to creditors would have been less than 10 per cent of their investment. Even this return would not have been possible for a number of years.

UAE LIQUIDATION

- * On final approval of the contribution arrangements by the Luxembourg Appeal Court, and on the satisfaction by creditors of the acceptance conditions contained in the arrangements, the Majority Shareholders will assume responsibility for procuring a separate liquidation of the UAE branches of BCCI SA. This will remove the liabilities of the UAE branches from the responsibility of the liquidators of BCCI which will benefit BCCI creditors.
- * These liabilities are estimated to amount to approximately US\$1,550,000,000.

TIMETABLE

BCCI closed	5th July 1991
Contribution arrangements announced	2nd December 1991
Agreement, in principle, between the Majority Shareholders and the liquidators on the contribution arrangements	20th February 1992
Court Approvals of arrangements:	
High Court in England	12th June 1992

Court of Appeal in England	17th July 1992
Cayman Islands	19th June 1992
Luxembourg	22nd October 1992
Appeal lodged in Luxembourg	24th December 1992
Appeal to be heard in Luxembourg	26th May, 9th June and 29th June 1993
Luxembourg Court judgment likely to be handed down	Mid-July 1993

CONTACTS NUMBERS

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London
EC2M 2RJ

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William Clutterbuck
Lowe Bell Financial
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London
EC4A 3EB

Tel: 071 353 9203

Cynthia Rapp
Robinson Lake Lerer & Montgomery
1667 K Street North West
Suite 900
Washington DC 20006
USA

Tel: 0101 202 457 9270

CANDIDATE'S NAME:

2. ABU DHABI INVESTMENT AUTHORITY ("ADIA")

Candidate's principal Country of Residence:

United Arab Emirates

Name of Representative:

Mr Meiki Mahmoud Ahmed

Branch(es) of BCCI S.A. where the Creditor held an account:

Abu Dhabi, United Arab Emirates

Admitted value of claim for Voting purposes:

US\$ 72,088,135

Other significant Relationships with other related BCCI entities:

Creditor of BCCI (Overseas) Limited
Shareholder of BCCI Holdings (Luxembourg) SA

Any relevant personal information about the Representative:

Mekki Mahmoud is a senior financial officer of ADIA who has over 15 years' service with the company. He is a qualified UK accountant and has been responsible within ADIA for protecting ADIA's interests as a creditor since BCCI's closure in July 1991. The Liquidation Committee will benefit both from the knowledge he has gained as a result and from his own considerable experience of financial matters.

Reasons for standing for the Liquidation Committee (no more than 80 words):

ADIA is a substantial financial institution based in the Middle East, with international standing in investment and banking circles. As a major Creditor, ADIA has the greatest possible interest in maximising returns for all Creditors. As a large company, ADIA can allow its Representative to devote the considerable time which membership of the Committee will require. ADIA's credentials and those of its Representative will enable it, if elected, to play an active, informed and positive role in the Committee.

FOR IMMEDIATE RELEASE
12 May 1993

CONTACT: Cynthia Rapp or
Craig Vieth
(202) 457-9270

BCCI Liquidators Refute Mahfouz Statements

Abu Dhabi Reconsiders Claims Against Saudi Financier

Washington, 12 May 1993 -- Lawyers for the Majority Shareholders of BCCI today responded to a recent court document filed by Khalid bin Mahfouz in connection with the racketeering suit brought against him and National Commercial Bank (NCB) by the BCCI liquidators, declaring statements contained in the document to be "unsubstantiated and patently false" and announcing their clients' intent to reconsider filing direct claims against Mahfouz and NCB.

Separately, lawyers representing the court-appointed liquidators of BCCI also refuted statements attributed to Brian Andrew Smouha contained in the brief, calling them "untrue and unfounded."

In a letter sent today to lawyers for Mahfouz and NCB, U.S. legal counsel to the Majority Shareholders of BCCI informed them that "...despite the various serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position."

Mahfouz and NCB were further advised that their efforts to solicit the Majority Shareholders' intervention on their behalf with the Liquidators had been seriously compromised. "Accusing the

(more)

Majority Shareholders of orchestrating the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request."

The Mahfouz charge that Abu Dhabi was a participant in the fraud and is withholding documents which may be prejudicial was also refuted by the Majority Shareholders' lawyers and the lawyers representing the court-appointed Liquidators who stated that the allegations "are, so far as the Liquidators are concerned, untrue and unfounded."

EDITORS' NOTES:

- * The following documents are being provided with this press release for your reference: (1) the letter from the Majority Shareholders' legal counsel to the lawyers representing Mahfouz and NCB; (2) the letter from the Liquidators' lawyers to legal counsel for the Majority Shareholders refuting the statements put forth by Mahfouz; and (3) a point-by-point rebuttal of the allegations made against the Majority Shareholders in the Mahfouz court filing.
- * The Majority Shareholders of BCCI are the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family.

Pursuant to 22 U.S.C. §§ 611-621, Robinson, Lake, Lerer & Montgomery is registered as an agent of the Government of Abu Dhabi with the United States Department of Justice, where a copy of the registration statement is on file and available for public inspection. Registration does not indicate approval by the United States Government of the contents of this communication, which is to be filed with the Department of Justice.

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TRT TELEX: 187780
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WRITER'S DIRECT DIAL

(202) 457-5270

May 12, 1993

BY FAX AND BY MAIL

Gary P. Naftalis, Esq.
Kramer, Levin, Naftalis,
Nessen, Kamin & Frankel
919 Third Avenue
New York, New York 10022

Gerald A. Feffer, Esq.
Williams & Connolly
725 12th Street, N.W.
Washington, D.C. 20005

Re: BCCI Holdings (Luxembourg), S.A., et al.
v. Sheikh Khalid bin Mahfouz, et al.

Gentlemen:

On behalf of our clients, the Majority Shareholders of BCCI, we are writing to respond to certain unsubstantiated and patently false statements made by you and publicized on behalf of Sheikh Khalid bin Mahfouz ("Mahfouz") and National Commercial Bank ("NCB") in connection with the racketeering suit brought against them by the BCCI Liquidators.

As you are aware, our clients as depositors and shareholders suffered greater losses than anyone else as a result of the illegal activities of BCCI and its co-conspirators. Nevertheless, despite the very serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board, and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position.

In addition, we assume that you are aware that your clients recently sent representatives to Abu Dhabi and asked our clients to intercede on their behalf with the BCCI Liquidators. The Majority Shareholders advised that they had made the decision upon the closure of BCCI to cooperate with the Liquidators rather than to act in a manner that would delay and obstruct a timely distribution to BCCI's creditors, suggested that your clients should try to adopt a more constructive approach toward the Liquidators than the one currently being pursued, and offered their support if such an approach were adopted. Accusing the

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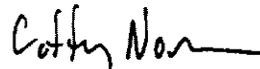
Gary P. Naftalis, Esq.
Gerald A. Feffer, Esq.
May 12, 1993
Page 2

Majority Shareholders of "orchestrating" the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request.

As to your charges that Abu Dhabi was a participant in the fraud and is withholding documents that may be prejudicial, we believe the actions taken by the governmental authorities and the Liquidators speak for themselves. Specifically, the solicitors for the Liquidators have now indicated in writing that the allegations you made about the Majority Shareholders "orchestrating" the litigation and withholding documents relevant to such litigation on the grounds that they would prejudice the Majority Shareholders' interests are "untrue and unfounded."

In closing, perhaps I need not add that our clients are most disappointed that you would use the press and legal proceedings to hurl unfounded accusations at them. They do not appreciate being used as part of an effort to distract the court's attention from the merits of the case against Mahfouz and NCB.

Sincerely,



W. Caffey Norman, III

C Taylor
 G J B Hutchings
 W G Wadlow
 M P Ayres
 A Pugh-Thames
 D F Gany
 H N Harshaw
 G K Toland
 R N H Gould
 M S Macneil
 F B Phillips
 M D Sheridan
 C J Hanson
 T F M Olson
 O S Baker
 A J White
 J B Gordon
 M P L Wright
 W R Ward
 P C Newell
 R A Sandhu
 A D Walker
 T A R Curran

J R M Kitching
 B C Mace
 N J Pagan
 E J Anderson
 F O H Collins
 C I Meier
 D G D Moody
 C P Renford
 D Spaul
 C H Down
 D Irvington
 R H P Singh
 A D Libanish
 F L Wernick
 L A MacDonagh
 C P Dodson
 C K Gilman
 M S Hershings
 A S Langloish
 I D Smith
 A P F Williamson
 A W Payne
 A Canble

N S J Glasser
 D Madrilone
 S W Polke
 M J Synnott
 M P Sorenson
 N F Franc
 M D F Hill
 L L Pike
 J G Traver
 C V S Mandata
 G B Wesson
 S J Kelly
 B Siano
 A S Gordon
 M D Campbell
 J F Powell
 J Corper
 S M F MacDonagh
 N R MacLachlan
 R H MacQuinn
 R H Finnan
 A J A Pearson
 J S Pearson

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 E Cunn
 D A Harper
 D A Harris
 D C Kelly
 A C Murray-Jones
 M Row
 H A Strong
 S C I Wells
 R T Whitmore
 H I H Patten
 Q D R Archer
 S L Parn
 F A Oldman
 G A Frowder
 B A Sheeh
 R J L Soper
 G Wilson
 J T Young
 L M Aldworth

C M Ashton
 A M Dunsdale
 F J Fisher
 M Colquhoun
 S F A Curran
 D S Culling
 D A Latham
 R M R McKean
 B J Moss
 N M C Spoonfield
 D A Gregory
 C H C Livingston
 M S Matheson
 J McDevitt
 J M Baines
 L Winer
 P D Consham
 D I Moller
 M C McCaw
 C D St J Prater
 S S Reilly

S T Sweeney
 J M Bradshaw
 L A Coakley
 I Davidson
 L R Dunlop
 R M Hukari-Jones
 C H D South
 G S Ashman
 J N Cole
 I M Corudo
 R M Green
 D F Harlick
 N F Quinlan
 P L Taylor
 O S Cheung
 M Caspagnere
 M J Carr
 R P Hill
 G P E Hurley
 C I Seward

Our ref C5/KG

Your ref 5/L22334/JW

11th May 1993

Simmons & Simmons
 14 Dominion Street
 London
 EC2M 2RJ

Attention: J Walter Esq

Dear Sirs

BCCI/Mahfouz

Thank you for your letter dated 10th May 1993.

As our firm made clear at the meeting to which you refer, in relation to the litigation brought against Sheikh Khalid Bin Mahfouz in Washington DC, the allegations made on his behalf that:

- (a) the Abu Dhabi parties are orchestrating, or at least being closely consulted by the Liquidators, in the conduct of such litigation; and
- (b) the Abu Dhabi parties are withholding documents relevant to such litigation on the grounds that they would prejudice their interests

are, so far as the Liquidators are concerned, untrue and unfounded.

We do not think it appropriate to write directly to Bin Mahfouz's lawyers. They must be aware of the Liquidators' position on these matters by reason of documents served in the litigation prior to the press release issued on Bin Mahfouz's behalf. This position will be reiterated by the Liquidators in further court papers to be filed shortly.

Yours faithfully

Lovell White Durrant

1824/DH

RESPONSES TO ALLEGATIONS CONCERNING
ABU DHABI IN BIN MAHFOUZ PLEADING

Allegations made by lawyers defending Khalid bin Mahfouz from racketeering charges brought by the BCCI liquidators should be seen for what they are: irrelevant attacks on individuals not party to the litigation buried on page 32 of a 45 page brief. These excerpts, passed out by bin Mahfouz's press agents, seem designed purely for media consumption, to obscure the very serious wrongdoing with which bin Mahfouz has been charged in this and other countries. Even if they were true -- which they are not -- they would be entirely irrelevant to the legal issues which the court will need to determine in the action against bin Mahfouz.

The Majority Shareholders of BCCI (the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family) respond as follows to the allegations made by bin Mahfouz's lawyers:

Abu Dhabi is BCCI's "partner in crime"
(May 7, Associated Press)

Unlike bin Mahfouz, none of the Majority Shareholders, nor any of their representatives, have been indicted or charged with violations of law in the United States or elsewhere.

Abu Dhabi was a principal participant in the allegedly fraudulent buy-back of bin Mahfouz's shares
(May 6, The Washington Post; May 7, Associated Press)

The Liquidators do not allege that Abu Dhabi took any improper actions in connection with the transactions which are the subject of their action against Mahfouz. Further, neither federal nor state authorities have alleged wrongdoing by the Majority Shareholders in the charges they have brought against Mahfouz.

Abu Dhabi is obstructing the BCCI investigation
(May 7, Associated Press)

In fact, the Abu Dhabi investors were among the very first to undertake an investigation into the fraud at BCCI, which they did shortly after they acquired majority control in April 1990. The Majority Shareholders have extended cooperation to numerous law enforcement agencies and governments, including civil and criminal law enforcement authorities in the United States and United Kingdom. In addition, they have assisted BCCI's court appointed liquidators in the United Kingdom, Luxembourg, the Cayman Islands, and the United Arab Emirates.

The documents provided by the Majority Shareholders to the Federal Reserve Board in early 1991 (selected by Federal Reserve staff from among the so-called "Naqvi files") enabled the U.S. prosecution of BCCI for its illegal ownership of First American to go forward. Additional documents were brought to the United States and made available to U.S. authorities in September 1992. U.S. authorities have also been invited to visit Abu Dhabi to interview witnesses and review documents.

In relation to the Mahfouz transactions, it was the Investigating Committee, set up at the instigation of the Majority Shareholders, that first revealed the reality of the arrangements made between Mahfouz and BCCI. Those reports have been in the hands of U.K. and U.S. prosecuting authorities and bank regulators since the closure of the bank.

Abu Dhabi provided a \$1 billion bailout of BCCI in 1989
(May 7, Associated Press)

This is false. In April and May 1990, however, the Abu Dhabi investors did infuse much-needed capital into the bank when they acquired a majority shareholding in it. This was done with the knowledge and approval of the Bank of England and the Institute Monetaire Luxembourgeois. Indeed, the capital infusion was welcomed by bank regulators as being in the interest of depositors and other creditors.

Abu Dhabi receives one-half of proceeds from litigation brought by liquidators
(May 6, The Washington Post; May 7, Associated Press)

Bin Mahfouz's objection seems to be with the settlement arrangements between the BCCI liquidators and the Majority Shareholders, which have been approved by courts in the United Kingdom, Luxembourg and the Cayman Islands. Under these arrangements, the Majority Shareholders have agreed to contribute up to \$2.2 billion to BCCI's creditors, and to waive certain of their own claims against BCCI totalling another \$2.2 billion.

Abu Dhabi was aware of internal accounting frauds committed by BCCI (May 7, Associated Press)

The Abu Dhabi investors were at all times until 1990 passive minority shareholders in BCCI. In the months following taking a majority stake in BCCI, the Majority Shareholders became aware of serious internal irregularities. In October 1990, the Majority Shareholders established an Investigating Committee to carry out a full and independent review of these irregularities. This investigation included the Mahfouz transactions which were the subject of an Investigating Committee Report of April 28th 1991.

Abu Dhabi is withholding hundreds of boxes of documents
(May 7, Associated Press)

The allegation that the Abu Dhabi parties are withholding documents relevant to the Mahfouz litigation on the grounds that they would prejudice their interests is untrue and unfounded. The liquidators themselves have made this clear to bin Mahfouz's lawyers.

Numerous documents, including some culled from the so-called "Naqvi files," have been made available to U.S. authorities by the Majority Shareholders.

[Smouha said in a deposition that] Abu Dhabi has a warehouse full of files which it refuses to let out of the country
(May 6, The Washington Post; May 7 Associated Press)

Again, to the extent there are BCCI documents in Abu Dhabi, they are under the control of the court receiver, just as they are in the United States, the United Kingdom, Luxembourg and numerous other jurisdictions. Mr. Smouha testified that he has reviewed one-third of the boxes in the warehouse, boxes of files that have already been indexed and catalogued. The process of indexing and cataloguing continues as boxes of files become available for review on a daily basis.

[Smouha said in a deposition that] Abu Dhabi is withholding documents which are incriminating, or prejudicial
(May 6, The Washington Post; May 7, Associated Press)

The Abu Dhabi parties are not withholding documents relevant to the Mahfouz litigation on the grounds that these documents might prejudice the Majority Shareholders' interests, as has been alleged.

Mr. Smouha has been deliberately misquoted. His actual statement was that documents were being held because they might be *prejudicial* [in the context of potential *civil* litigation].

Until the contractual arrangements are unconditional, both parties are cautious about granting access to documents. The liquidators have exercised their contractual right to withhold a significant number of documents from the Majority Shareholders on the grounds they may be prejudicial.

Again, in documents relating to Mahfouz, the liquidators' access has not been impaired, nor has there been any editing of the documents given to them.

At the same time, Abu Dhabi is trying to strengthen the case against bin Mahfouz (May 6, The Washington Post);
Abu Dhabi is orchestrating the case against bin Mahfouz (May 6, The Washington Post)

The allegation that the Abu Dhabi parties are orchestrating, or even are closely consulted by the liquidators in the conduct of, the Mahfouz litigation is untrue and unfounded. The Majority Shareholders are, however, considering their rights against bin Mahfouz and NCB, and whether it is appropriate to litigate the claims they may have against them.

Abu Dhabi has refused to let liquidators interview Swaleh Naqvi (May 7, Associated Press)

The Majority Shareholders have no control over who may and may not interview Mr. Naqvi. Mr. Naqvi, preliminarily charged under U.A.E. law with serious criminal wrongdoing, is under the exclusive control of U.A.E. prosecuting authorities. When efforts were made to allow Federal Reserve investigators to interview Mr. Naqvi in March 1991, it was his U.S. lawyer who refused to allow the interview to go forward.

Abu Dhabi is an unnamed plaintiff in the suit in federal court against Mahfouz (May 5, bin Mahfouz pleading)

As noted above, the liquidators have sole discretion to bring suits on behalf of BCCI, not the Majority Shareholders. It was not the Majority Shareholders' decision to bring suit against bin Mahfouz, but rather that of the liquidators. Abu Dhabi will share in any recovery, but only because it has already arranged to contribute billions of dollars for the benefit of depositors worldwide.

12 May 1993

CONTACT: Cynthia Rapp or
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**BACKGROUND INFORMATION
PERTAINING TO THE BINGHAM REPORT**

1. The Majority Shareholders acted prudently and correctly in their transmittal of information to the Bank of England and reject any charge to the contrary.
- . As of April 1990, the Abu Dhabi Shareholders were passive, minority shareholders in BCCI. They exercised no day-to-day executive control and had no detailed information about the bank. Understandably, they were hesitant to accept as fact information given to them by Naqvi in April 1990, particularly since the information ran counter to positive audit reports issued for more than a decade.
- . The information given by Naqvi in April 1990 did not in any way constitute a confession. His statements came out of the blue and gave a limited amount of vague information over a short period of time without any supporting evidence. He was motivated only by a desire to persuade the Majority Shareholders to provide large amounts of cash in order to prevent BCCI from collapsing.
- . Naqvi's central allegation was that \$2.2bn in Portfolio funds belonging to the Ruler of Abu Dhabi had been misappropriated. This was the only dishonesty or fraud to which he confessed. It was a cause of great concern to the Majority Shareholders. Naqvi claimed that BCCI had incurred losses, but he gave no indication that the causes of these losses were fraud or dishonesty. He maintained that the causes were purely historical, and that those responsible had now left and that a new injection of funds would make BCCI profitable again.
- . The Majority Shareholders, understandably, did not accept what Naqvi told them. He had previously told them that BCCI was profitable and now, by suggesting it was making a huge loss, he seemed to be admitting to deceit. It occurred to the Majority Shareholders, for example, that Naqvi's account might be an attempt to conceal the fact that he and his associates had personally misappropriated the \$2.2bn.
- . The discussions during this period focused on the amounts required to ensure the continued survival of the BCCI Group so as to ensure the approval of the audited accounts. This over-riding priority was shared by the Bank of England and Price Waterhouse. It was accepted by all concerned that there would have to be a full investigation, but that it could only take place once the necessary financial support had been provided.
- . As any responsible party would, the Majority Shareholders acted on Naqvi's statement by commencing investigations to try to find any corroboration for it. It was only much later that the

Investigating Committee, created at the instigation of the Majority Shareholders, discovered that Naqvi's statement had seriously understated the scale of the problems within BCCI.

When further investigations established the frauds within BCCI, the Bank of England was informed.

2. Evidence suggests that the Bank of England's behavior would not have changed had it received the Naqvi information earlier, and that Price Waterhouse and the Bank were fully aware of the scope and size of the fraud prior to the draft Section 41 report.

There is no evidence to suggest that telling the Bank of England about Naqvi's statement earlier would have changed its attitude (or resulted in the closure of BCCI), for when the Bank was told of the misappropriation of the \$2.2bn on 28 February 1991 at the latest, it took no action.

There is extensive evidence in the report to show that Price Waterhouse were aware of all major aspects of the fraud following interviews with Naqvi in January and February of 1991. The evidence of both the Bank of England and Price Waterhouse to the Treasury Select Committee confirms that Price Waterhouse kept the Bank informed:

"Those investigations were discovering from what has come to be known as the Naqvi files information which constituted prima facie evidence of fraud. Price Waterhouse were going forward with that exercise. We knew they were. They were in a general sense keeping us informed about where their investigation was taking them."

Brian Quinn, Executive Director Responsible for Banking Supervision, Bank of England; 5 February 1982;

"Price Waterhouse reported orally to the Bank of England during January and February 1991."

"Once we were able to satisfy ourselves about the reliability, completeness and relevance of information obtained through our investigation role, we reported such information to the Bank of England."

"... and first approached the Bank of England with our concerns about senior management in early 1990. From that time we had a regular dialogue with the Bank."

Price Waterhouse Memorandum to the Treasury Select Committee; p.21.

Notes of the interviews conducted by the investigating team (including Price Waterhouse) with Naqvi and others show that the meetings revealed all the major areas of fraud and irregularity including unrecorded deposits, the true extent of the Treasury losses, the misuse of funds managed by ICIC, the ownership by BCCI of a substantial stake in CCAH and the creation of fictitious loan accounts.

On 26 February 1991, the investigating team gave its first briefing to the Investigating Committee, whose members included Mr Christopher Cowan, a partner in Price Waterhouse (and the person appointed by the Bank of England under Section 41) and three other PW representatives, Messrs. Armour, Barrett and Chapman. This briefing disclosed the advanced state of the investigation into the fraud and false accounting.

Irrespective of what Price Waterhouse must have told the Bank of England about BCCI's affairs in early 1991, the Bank itself already knew about two key aspects of the fraud. At the behest of the Majority Shareholders, Mr Iqbal met with Mr Roger Barnes, head of the Banking Supervision Division of the Bank of England, on 4 January 1991 and revealed the existence of both \$600 million in unrecorded deposits and a further \$600 million in fictitious loans.

3. Of course the Majority Shareholders are not innocents in financial matters.

Like any careful investor, the Majority Shareholders relied on unqualified reports from Price Waterhouse, the bank's auditors, which showed year after year for over eighteen years that BCCI was healthy and their investments were sound. Acting in the capacity of passive investors, not bank managers, it is not surprising then that the Abu Dhabi shareholders proceeded with caution when first confronted with the possibility of fraud.

With only a limited indigenous professional community, Abu Dhabi relies heavily on external professional advice. Until April 1990 the Majority Shareholders placed their trust in the management of BCCI but that trust was abused. The Majority Shareholders were systematically deceived.

October 1992

EXECUTIVE SUMMARY

RESPONSE OF THE MAJORITY SHAREHOLDERS TO THE SUBCOMMITTEE REPORT ON THE BCCI AFFAIR

The Report of the U.S. Senate Subcommittee on Terrorism, Narcotics and International Operations to the Senate Committee on Foreign Relations on the BCCI Affair contains a number of unjustified remarks and conclusions concerning the role played by the Abu Dhabi Investment Authority, the Government of Abu Dhabi, and the Abu Dhabi Ruling Family (the "Majority Shareholders"). These erroneous conclusions are the result of a flawed methodology used in preparing the Report. Among other flaws:

- Many of the findings and conclusions rest upon testimony by convicted felons and other unreliable sources. In some instances, the sources are not even identified, nor was the information provided by them made public.
- In numerous instances, the Report relies upon unsworn allegations in private staff interviews with witnesses that are directly contradicted by the sworn testimony of these same witnesses during open hearings.
- Many of the allegations about the Majority Shareholders that are published in the Report were never made known to the Majority Shareholders prior to publication, and therefore the Majority Shareholders never had an opportunity to respond to these allegations before they were published.

Although the Subcommittee Report already has been disseminated to the press, the Majority Shareholders cannot allow the unfounded allegations about them to go unanswered. The enclosed response provides a detailed, point-by-point analysis of the methodological flaws in the Report, and corrects the erroneous conclusions drawn therein. The key points are as follows:

1. The Abu Dhabi shareholders never acted as nominees in the acquisition of First American; in fact, it is their continued financial support that has allowed the First American banks to remain sound. The Subcommittee's conclusion that the Abu Dhabi shareholders might be nominees supposedly was based on the unsubstantiated testimony of a convicted felon, Akbar Bilgrami, a former BCCI officer. However, a careful review of what Bilgrami actually said under oath belies any allegation that the Abu Dhabi shareholders acted as nominees. Indeed, the Abu Dhabi shareholders have provided over \$190 million in financing to First American in the last two years; there would have been no reason to provide this financing if they were mere nominees for BCCI.

2. The Majority Shareholders paid over \$2 billion for their shareholdings in BCCI, an investment that is now totally valueless. Suggestions in the Kerry Report that the Majority Shareholders might have paid as little as \$500,000 for their BCCI shareholdings prior to April 1990 has no foundation whatsoever. The Subcommittee's conclusion apparently was based on the assertion that the Majority Shareholders had not provided details to the Subcommittee as to the amounts they had invested in BCCI shares; but the Subcommittee had never asked for this information.

3. The Majority Shareholders were the single largest victim of BCCI's frauds, and were not participants in it. The Majority Shareholders' losses include their now-valueless equity investment in BCCI; misappropriation of a \$2.2 billion asset portfolio that was under management of BCCI's founders, Messrs. Abedi and Naqvi; and substantial deposits at BCCI that were lost when BCCI was closed. The Majority Shareholders had no knowledge of the frauds perpetrated by BCCI prior to becoming the Majority Shareholders in April 1990. Thereafter, having injected \$1.2 billion of new capital into BCCI to prevent its imminent collapse, the Majority Shareholders took responsible steps to investigate the frauds committed by Abedi and Naqvi and report them to the relevant authorities.

4. The Majority Shareholders have cooperated, and are continuing to cooperate, in investigations into BCCI. The 10,000 pages of documents provided to the Federal Reserve Board in March 1991 provided the conclusive proof that BCCI had illegally acquired the First American banks and Independence Bank. More recently, more than 20,000 pages of documents have been made available to U.S. criminal and regulatory authorities for review at the U.A.E. Embassy in Washington. U.S. officials also have been invited to visit Abu Dhabi for purposes of further document review and witness interviews.

5. The Majority Shareholders cooperated with the Subcommittee's investigation. Although they were not legally compelled to do so, the Majority Shareholders sent a witness from the United Arab Emirates to Washington to testify before the Subcommittee in May 1992. At the conclusion of that hearing, the Subcommittee asked the witness to provide responses to a few written questions that could be answered before he returned to Abu Dhabi. Instead, the Subcommittee waited until the witness returned to Abu Dhabi, and then submitted 65 questions that far exceeded the nature and scope of what had been suggested during the hearing. Nevertheless, answers to the questions were submitted. The Subcommittee never complained about the adequacy of the oral or written testimony until its Report was published.

Beyond the Report's erroneous conclusions about the role of the Majority Shareholders, the Report also contains many offensive and derogatory statements about the United Arab Emirates, the Emirate of Abu Dhabi, and His Highness Sheikh Zayed bin Sultan Al-Nahyan. These remarks are neither justified nor relevant to the Subcommittee's inquiry into the BCCI affair. Particularly given the United Arab Emirates' long-standing friendly relations with the United States, it is disturbing that such remarks should appear in a Report to the U.S. Senate Committee on Foreign Relations.

PRIVATE AND CONFIDENTIAL

**RESPONSE OF THE MAJORITY SHAREHOLDERS
TO THE SUBCOMMITTEE REPORT
ON THE BCCI AFFAIR**

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**RESPONSE OF THE MAJORITY SHAREHOLDERS TO
THE SUBCOMMITTEE REPORT ON THE BCCI AFFAIR**

CHAPTER 1: INTRODUCTION

1. This document responds to the Report of the US Senate Subcommittee on Terrorism, Narcotics and International Relations to the Senate Committee on Foreign Relations concerning the BCCI affair (hereafter referred to as the "Report").

It is submitted on behalf of His Highness Sheikh Zayed Bin Sultan Al Nahyan, the President of the United Arab Emirates and the Ruler of Abu Dhabi; His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the Crown Prince of the Emirate of Abu Dhabi; the Department of Finance of the Government of Abu Dhabi; and the Abu Dhabi Investment Authority ("the Majority Shareholders").

The Report is the product of a prolonged inquiry into BCCI by the Subcommittee. The Report contains many unjustified criticisms of the UAE, Abu Dhabi and the Ruling Family. The purpose of this paper is to correct the untruths, misimpressions and false allegations regarding the parties contained in the Report.

2. The paper is divided into five chapters:-
 - (1) This introductory section;
 - (2) A chapter dealing with the unwarranted attacks on the UAE, Abu Dhabi and its Ruling Family in the early parts of the Report, which are both inflammatory and irrelevant to the BCCI investigation;
 - (3) A general chapter criticising the approach adopted in the Report and indicating why findings of the Report are unsound and unreliable;
 - (4) A chapter examining in detail the allegations made against the Majority Shareholders in relation to their involvement with FGB and CCAH;
 - (5) A chapter responding in detail to the criticisms of the Majority Shareholders which are relevant to the BCCI matter.
3. This critique of the Report demonstrates among other things the following points:-
 - The Report is unbalanced and unfair in its treatment of the Majority Shareholders and their involvement with BCCI. The conclusions reached in the Report on these matters cannot be sustained.

- **The Report relies on unsubstantiated and uncorroborated hearsay including unsworn allegations made in private staff interviews by convicted felons and other dubious sources. It does not contain evidence on which any Court could or would rely. They are no more than allegations - which this paper rebuts.**
- **In many instances the allegations relied upon in the Report were never made known to those accused, who therefore had no opportunity to respond to them before the Report reached its so-called "findings" and "conclusions".**
- **The Report is inherently biased. It contains many critical comments which presuppose guilt - it also makes generalized and unjustified criticisms without providing evidence.**
- **The sustained personal attack on His Highness Sheikh Zayed, Abu Dhabi and the UAE is offensive, unnecessary and irrelevant. The Report unnecessarily demeans and ridicules a foreign Head of State. The inclusion of this material invites the reader, in the absence of any proper evidence, to assume guilt by association, smear and innuendo.**
- **It is not merely the Majority Shareholders who find the Report unacceptable. Third party criticism of the Report from the Bank of England, Price Waterhouse and Senator Culver, among others, demonstrates that the Report is widely perceived as lacking in objectivity, biased and overly reliant on hearsay and unsubstantiated assertions.**
- **For all of these reasons, the Subcommittee's procedures were fundamentally unfair, and its evidence was unreliable and in some cases non-existent. The Report's findings do not deserve the respect one would accord to a judicial tribunal or any other fair and impartial fact-finder.**

CHAPTER 2: ATTACKS ON ABU DHABI

Introduction

1. The Report includes a sustained personal attack on His Highness Sheikh Zayed and attacks on Abu Dhabi and the United Arab Emirates which are offensive, unnecessary and irrelevant to the BCCI affair. They go beyond the bounds of acceptable criticism, and transcend the boundaries of objective comment. Even proven wrong-doers do not receive the treatment the Report reserves for the UAE - a friendly sovereign State - and the Ruling Family, the members of which have not been charged with any wrong-doing. By contrast, the Report adopts and incorporates - apparently with approbation - statements made by convicted felons, presently in prison in the United States for offences in connection with the BCCI affair.

Slanders relating to the UAE

2. The Report unnecessarily and without justification demeans Abu Dhabi and the United Arab Emirates. It implies that the Ruling Family's assumption of power resulted from a coup organized by foreign interests. The suggestion is made that His Highness Sheikh Zayed headed a regime which was ill-equipped to handle the demands of the modern world, and by implication, the tasks of Government which devolved on it. The Report even suggests that the United Arab Emirates itself owed its creation to Mr Abedi, and that it was through the intervention of Mr Abedi that the Ruling Family obtained acceptance in the world community.

The tone and content of remarks such as these - directed at a foreign friendly Government - is shocking. The United Arab Emirates is a sovereign nation with a proud history and culture. His Highness Sheikh Zayed, President of the United Arab Emirates has devoted himself to using the Emirates resources to benefit all of its citizens, resulting in health care, education, and housing that rival any in the world. The UAE has been a steadfast US ally in a strategically important region of the world. It greatly values its friendship with the United States but it cannot be silent in the face of insults and attacks on its culture and heritage.

Personal Attacks on His Highness

3. The personal attacks on the Ruler of Abu Dhabi and the President of the UAE, His Highness Sheikh Zayed, are even more direct. Sheikh Zayed's background and education are the subject of gratuitous insults. By way of example, it is said that the Ruling Family were dependent on Abedi "for their every need", and that "before Abedi" these people "had no standing anywhere in the world".

Such offensive references appear throughout the Report, without any legitimate explanation for their inclusion. The anecdotes are untrue and appear to be based on the uncorroborated and private testimony of discredited former BCCI employees. It would be wrong to give these anecdotes further currency or dignify them by reciting them. However, they include the most extraordinary and improbable stories - such as the suggestion that Sheikh Zayed (elsewhere in the Report described as "illiterate") routinely wrote checks for very large sums of money on pieces of toilet paper. The fact

that such anecdotes are manifestly absurd and will no doubt appear as such to readers of the Report, in no way excuses their inclusion.

Allegations of Immorality

4. The Report contains a number of wholly unverified and quite incorrect allegations regarding the provision of prostitutes to members of the Ruling Family. They have nothing to do with anything that follows relating to the involvement of the Ruling Family in the running of BCCI and one can only conclude that the purpose of this is to add a salacious section to intrigue the reader.

Sources of Attack - Discredited Witnesses

5. There is no adequate evidence offered to support these offensive statements. They appear to be derived from remarks made by former employees of BCCI, including those who have been convicted of involvement in fraud, and others closely associated with those at the heart of the fraud. Those statements are not evidence. They are a mixture of hearsay and pure gossip (e.g. "By many accounts ...", "According to one US investigator, some BCCI officials have acknowledged ...", "It has long been part of BCCI internal lore that ..."). Some of these ex-employees are identified, some are not.

Those who are identified are Akbar Bilgrami, Nazir Chinoy, Masihur Rahman and Abdur Sakhia. As explained in Chapter 3, all are discredited men. They are unreliable witnesses. A detailed analysis of their statements to the Subcommittee and their role in BCCI generally is contained in Chapters 4 and 5 of this paper and this explains why their testimony should be disregarded. It is worth asking why the Subcommittee, which well knew Bilgrami's status as a convicted felon, has chosen to incorporate his testimony, and that of Chinoy, Rahman and Sakhia (whose background and reliability must also have been known to the Subcommittee), unquestioned, unchallenged and unchecked, into the Report.

The Dismissive Treatment of UAE Law

6. The Report is dismissive of the law and constitution of the United Arab Emirates. It says the separation of powers in the UAE "stretches credulity". This comment directly contradicts the clear provisions of UAE law. The thrust of the Report therefore can only be that the UAE ignores its own laws. This implied slur on an independent sovereign nation, made with no evidence whatsoever in support, is highly offensive and inappropriate. It is ironic that the Report should accuse the UAE of ignoring its own laws, when the Subcommittee has itself failed to observe due process, printing as fact many allegations without any prior notice to the Majority Shareholders or any opportunity to respond.

Summary

7. The material referred to in this section of the Report is offensive, unjustified and certainly has no relevance to the other sections of the Report dealing with Abu Dhabi. The tone and manner in which the slurs are incorporated into the Report prompts the conclusion that they must have intended to wound and harm Abu Dhabi, the UAE, and its Ruling Family. Fair minded people should not treat them seriously.

CHAPTER 3: GENERAL COMMENTS ON METHODOLOGY

Introduction

1. This section explains the methodological shortcomings of the Report, analyses the way in which it portrays the so-called evidence it relies on, and demonstrates why its conclusions are unsound and cannot be relied on. It also highlights criticisms of the Report which have been made by other parties and which demonstrate that the Majority Shareholders' criticisms of the Report are widely shared.

Failure to provide an opportunity to respond

2. The Report is a political document that was released to the Press before it had been made available to those who are the subject of its criticisms. The Majority Shareholders of BCCI were not even officially supplied with a copy, and had to obtain a copy through press sources.

Flaws in Report

3. The Majority Shareholders believe that four fundamental flaws run through the Report and fatally undermine its findings:
 - (i) **Hearsay:** Its conclusions are, to a very great extent, based on hearsay, and are unsubstantiated, uncorroborated and accordingly misleading. In many cases, they are without any basis in fact; they are not evidence on which a court could or would rely.
 - (ii) **Contradiction:** Because it seeks to place an adverse construction on so much of the material available to it, the Report draws conclusions that are often mutually contradictory.
 - (iii) **Fundamentally Unfair Procedures:** The Subcommittee's procedures were fundamentally unfair and, as a result, the Report presents a one-sided view of the matter. Conclusions are presented as if they were findings of facts: but they are not. In many instances, the Subcommittee gave no notice of the allegations being made against Abu Dhabi and its Ruling Family nor any opportunity to answer those allegations before the Report went to print.
 - (iv) **Sources:** The Report relies on testimony from witnesses who are manifestly unreliable. It states as facts many matters which are not verified facts, but merely reported statements by persons, and allegations by persons with a grudge or a vested interest. In some cases, the Report states as facts matters which are contrary to or not supported by the evidence given by witnesses. This is particularly so the case of statements made by Bilgrami, Chinoy, Sakhia and Rahman, and Reports by Price Waterhouse. In other cases, the witnesses are unidentified altogether.

As a result, the Report is both unreliable and inaccurate.

Third Party Comments on the Report

4. The Majority Shareholders are not alone in their criticism of the Report. Their criticisms are shared by other third parties including most notably Senator Culver, a former Democratic Senator, who criticised the Report for its slander of

“reputation and character by one or two (Senators) and staff without even a shred of the barest formal respect for fundamental fairness and due process”.

He castigated the report for reliance on innuendo, falsehood and misrepresentation and said it recalled “the darkest days of the McCarthy era”. Both the Bank of England and Price Waterhouse have also echoed those criticisms. The Bank of England drew attention to the fact that the Subcommittee had not received evidence from the Bank, had not had access to the Bank’s documents or sought to check any facts with the Bank. Price Waterhouse drew attention to the fact that its offer to cooperate with the Subcommittee had not even been acknowledged. They refer to the report as a “hotchpotch of hearsay, conjecture and unsubstantiated assertion”.

Reliance on Unreliable Sources

5. The great bulk of the allegations aimed at the Majority Shareholders in the Report relies upon:-

- (i) Comments made by Price Waterhouse in the draft Section 41 Report of June 1991. The Report accepts these allegations as fact without any attempt at further investigation. However, even Price Waterhouse are at pains to stress that the material in the Section 41 Report is draft, unverified and uncorroborated. In fact, as can be demonstrated, much of the information in the draft Section 41 Report reflecting on the role of the Majority Shareholders was simply wrong.
- (ii) Allegations by Akbar Bilgrami. Bilgrami is a convicted felon, presently serving a prison sentence for activities relating to BCCI. It appears that on the basis of interviews given by Bilgrami prior to the testimony he gave at the Senate hearing, Subcommittee staff reached the conclusion that Bilgrami would give evidence under oath that he believed the Ruling Family’s shareholdings in FGB/CCAH to have been nominee holdings.

However, Bilgrami did not give evidence to this effect. Despite this, the Report appears to proceed upon the basis that Bilgrami did give the evidence the Subcommittee expected him to give. Worse than this, the Report then relies upon the uncorroborated version of events which a convicted felon did not in the event provide, to the exclusion of any other version of events.

- (iii) Masihur Rahman’s testimony. Rahman was formerly Chief Financial Officer of BCCI and was employed by BCCI for seventeen years. It is submitted that the testimony of someone who was closely connected to Naqvi and connected with running the financial side of BCCI at a senior level for many years is inherently

untrustworthy. The Subcommittee however, appears to have chosen to believe Rahman's testimony without considering his reliability or motive. In this connection, it should be known that Rahman approached the Majority Shareholders earlier this year and offered to give testimony in relation to BCCI which he implied would be favorable to them, in return for a payment which would have been of the order of £250,000.

- (iv) Testimony of Nazir Chinoy. Chinoy is also a convicted felon who, like Bilgrami, is presently serving a prison sentence for activities relating to BCCI. His evidence to the Subcommittee was not given voluntarily but pursuant to an agreement whereby he pleaded guilty to charges relating to the Tampa money laundering case. He agreed to cooperate with all law enforcement authorities in the United States but only on the basis that he was granted immunity in respect of the testimony he gave. His counsel made that expressly clear to the Subcommittee before he gave evidence. This cannot but cast considerable doubt over the veracity of his evidence.
- (v) Abdur Sakhia's testimony. From 1982 through 1987 Abdur Sakhia was a senior BCCI representative in BCCI's Miami Agency Regional Office, which had to be shutdown due to rampant money laundering and tax evasion scandals. Prior to the shutdown, Sakhia resigned after refusing to co-operate in an internal investigation into various money laundering and tax evasion allegations. An investigative report prepared by BCCI's outside counsel, which later was obtained by the Subcommittee and placed into the record, concluded that Sakhia was a "renegade regional manager" who operated with "frequent disregard for established procedures". Furthermore, even his own counsel warned that the evidence he gave was mere hearsay (see page 502 of the transcript of hearings on October 22, 1991).
- (vi) Numerous references to testimony of unnamed witnesses who provided unsworn allegations to the Subcommittee staff behind closed doors. The Majority Shareholders could not have responded to this evidence even if given the opportunity since they cannot determine precisely what was said, or whether these unidentified witnesses were even competent to testify.

Private "evidence" preferred to public testimony

6. The Report appears to have preferred unsworn private evidence to sworn public testimony when the two conflict. Key witnesses such as Bilgrami, Chinoy, Sakhia and Rahman gave sworn evidence in public which did not support the unsworn statements they are said to have made in private. In several cases Senator Kerry pressed witnesses to give particular evidence to support what is now known to have been private evidence and, more seriously, when they refused to do so, made findings in the Report as if they had done so. The failure of witnesses to give the evidence expected of them during public Senate hearings casts doubt on the reliability of the records of the staff interviews held in private. Questions must arise as to whether the witnesses were pressed into making statements which they later felt unable to repeat in public under oath.

The following examples demonstrate the shortcomings in the unsworn evidence alleged to be given in private:-

- (a) Findings on Prostitution: In the section on "Prostitution" on pages 94 and 95 the Report states as a fact that the Special Protocol Department was set up "to service the personal requirements of the Al-Nahyan family of Abu Dhabi...". On page 95 the Report then says:

"According to one US investigator with substantial knowledge of BCCI's activities, some BCCI officials have acknowledged that some of the females provided some members of the Al-Nahyan family were young girls who had not yet reached puberty. The official said that former BCCI officials had told him that BCCI also provided males to homosexual VIP's".

Senator Kerry attempted to extract supporting evidence from Chinoy in the hearing of March 19, 1992 when he specifically referred to Begam Asghari Rahim. Chinoy said that:

"She used to arrange - she used to interview girls, women and take them, who wanted to go to Abu Dhabi for a dancing show or arrange some singing shows."

That clearly was not enough for Senator Kerry. He probed further:

"Well, it was my understanding that she was more specifically involved in procuring young women from the countryside who were brought in and made available to Princes and so forth for pleasure, is that accurate?". Chinoy replied: "I have no personal knowledge, Sir".

In other words Chinoy had merely heard rumors. Had the US investigators quoted heard more? It seems doubtful; one would presume that if the Subcommittee had proper evidence on this point it would have published it.

- (b) The Protocol Department: In the section entitled "BCCI's Protocol Department", it is stated, relying on private unsworn staff interviews with Chinoy, that the Protocol Department was established to further the rapport with the Sheikhs and Ruling Families of Dubai and Abu Dhabi (page 44). However, when Chinoy was specifically asked under oath at the public hearing on March 18, 1992, who were the principal clients of the Protocol Department, Chinoy replied:

"Sir, I have no knowledge except that they were - because I did not - I mean, the Department was independent, handled by Mr Sani Ahmad"

It appears that Chinoy was not in a position to give sworn evidence in public repeating what he had told the Subcommittee's staff in private.

No Objective or Consistent Assessment of Evidence

7. The Report draws from items of evidence whatever conclusion is most critical of the Majority Shareholders, without regard for the need for consistency. For instance, much of the Report criticizes them for withholding evidence. However, the Subcommittee's response to the recent provision of nearly 20,000 pages of evidence by the Majority Shareholders to DOJ and DANY is to turn their co-operation against them. It is characterized as a publicity stunt; they are given no credit for it.

Presumption of Guilt

8. The Report makes many critical comments about the Majority Shareholders which pre-suppose their guilt. For instance, the Majority Shareholders are criticized for failing to provide DOJ with documents regarding Abu Dhabi nominee shareholding arrangements. This pre-supposes that there were such arrangements, which there were not.

Non-Specific Allegations

9. There are many generalized and unjustified criticisms made against Abu Dhabi. For instance:
 - (a) The statement that Abu Dhabi officials were knowing participants in substantial wrongdoing;
 - (b) The allegation that HE Mazrui engaged in other improprieties;
 - (c) The suggestion that HE Mazrui has clearly violated positions of trust.

The evidence which might support these statements is not particularized, and thus the Majority Shareholders cannot rebut them. They are an example of the biased and prejudiced approach taken in drafting the Report.

Confusing Terminology

10. By using confusing terminology the reader is invited to draw adverse conclusions where he should not. Thus in some cases, the Report uses the expression "Abu Dhabi officials" to refer to BCCI officers involved in the fraud. In other cases, "Abu Dhabi officials" refers to members of the Ruling Family or the Majority Shareholders. This approach appears calculated to confuse the reader, and likely to lead to adverse conclusions regarding the involvement of the Majority Shareholders.

Invented Conclusions

11. In some cases the Report makes statements (and critical comments) for which there appears to be simply no basis at all. Allegations made without evidence seriously undermine the credibility of the Report and its findings.

An example is the alleged involvement of Abu Dhabi and H E Mazrui with two Hong Kong banks, Hong Kong Deposit and Guaranty Company Limited and Tetra Finance (HK) Limited (pages 406 to 407). The Report refers to the fact that both Hong Kong banks collapsed but continues:

“Al Mazrui appears unaffected by the collapse of the banks of which he was a Director, and to all appearances, to which Abu Dhabi had contributed either capital or assets”.

Nowhere in the report is there any evidence that Abu Dhabi contributed capital or assets to either of the two Hong Kong banks. This is because Abu Dhabi never did contribute capital or assets to either of these banks. HE Mazrui's only connection with either company was as an unpaid company director for barely more than one year between 1982 and 1983.

He neither attended any Board meetings of either company nor discussed their affairs with the other directors. This was his and Abu Dhabi's sole involvement with these banks.

Having alleged something for which there is no evidence, and which is incorrect, the Report goes on to make an unwarranted allegation based on that non-existent fact. It says:

“The lack of reaction to the collapse of the banks by the Abu Dhabi Ruling Family and the Government raises the question of whether the Abu Dhabi Investment Authority or Al Mazrui himself were ever at risk, or whether the Abu Dhabi participation of the two Hong Kong banks was a risk-free nominee relationship.”

Since there was no investment or “participation” there could not have been a “risk-free nominee relationship”. The suggestion of impropriety without factual evidence in this manner does the Subcommittee no credit. It prompts the question “why are the authors so anxious to condemn Abu Dhabi?”.

CHAPTER 4: THE OWNERSHIP OF FGB AND CCAH SHARES AND THE EVIDENCE OF BILGRAMI

Introduction

1. Nowhere is the flawed approach of the Report more apparent than in its treatment of the evidence given by Akbar Bilgrami concerning a crucial area of the Subcommittee's investigation: the question of the arrangements surrounding the investment in FGB in 1978 by Sheikh Sultan and Sheikh Mohammed of the Ruling Family of Abu Dhabi. On an issue of such central importance, it is unfortunate that the approach of the Subcommittee appears to have been compromised by pre-conceived notions concerning the role played by the Ruling Family and its advisors, such as to result in the clear distortion and manipulation in the Report of the public evidence given by Bilgrami to the Subcommittee.
2. The Report alleges either that the Abu Dhabi shareholders were nominees for BCCI in the early days of the FGB takeover or, alternatively, that they did not distinguish between their holdings, and BCCI's holdings in FGB (page 555). The Report thus calls into question the whole extent of the investment of the Majority Shareholders in FGB and CCAH.

The Facts

3. Both His Highness Sheikh Sultan and Abdullah Darweish on behalf of His Highness Sheikh Mohammed invested in shares of FGB in early 1978. Neither acted as nominees for BCCI. It was the funds of the Ruling Family which were at risk in this transaction and not those of BCCI.
4. From the date of the initial investment through 1990, the Abu Dhabi Ruling Family and the Abu Dhabi Investment Authority invested \$160 million of their own funds to pay for their shares in FGB and the parent company of its successor, CCAH. Additionally, Abu Dhabi has provided \$190 million in capital support since 1990, in order to stabilize CCAH's financial position. There would have been no reason to do this if the Abu Dhabi shareholders were nominees whose equity investments were not at risk.

The Allegation

5. In the face of all logic, the Report speculates that the Ruling Family's shareholdings might have been purely nominal, on the basis of evidence that simply does not support that conclusion.
6. For example, the Report states that:

"In January, 1978, when BCCI decided to enter the United States and purchase shares in Financial General Bankshares, and needed two additional names, the Ruler of Abu Dhabi supplied them" (page 536).

7. The plain innuendo of this comment is that members of the Ruling Family knew of BCCI's illegal plan to acquire FGB and agreed to act as nominees, an allegation which the Majority Shareholders flatly deny and which Senator Kerry cannot substantiate. The Report goes on to state (at page 539):

"Shares in Financial General Bankshares held by members of the Abu Dhabi ruling family in late 1977 and early 1978 appear to have been nominee arrangements, adopted by Abu Dhabi as a convenience to BCCI and Abedi, under arrangements in which Abu Dhabi was to be without risk, and BCCI was to guarantee the purchase through a commitment to buy-back the stock at an agreed upon price."

Bilgrami's Evidence

8. To sustain these allegations, the Report purports to rely upon the evidence of convicted felon Akbar Bilgrami, who was brought from jail to testify to the Subcommittee.
9. As explained below in more detail, the Report's findings distort, misrepresent and in places contradict the testimony that was actually given by Bilgrami in the public Senate hearings. To summarize briefly, the Report's four key points all mischaracterize Bilgrami's testimony:
 - (a) The Report asserts that Bilgrami said that none of Abu Dhabi's funds had been invested in the US and that Abu Dhabi investors in FGB were nominees (page 552). However, Bilgrami gave no such evidence.
 - (b) The Report says that Bilgrami concluded that loans by BCCI were used to fund Abu Dhabi purchases of FGB shares (page 552). Bilgrami gave no such evidence.
 - (c) The Report says that Bilgrami concluded that buy-back arrangements gave BCCI control over the shares, including the right to buy or sell them, and to set the price of any sale (page 553). Bilgrami did not give any such evidence.
 - (d) The Report draws negative inferences from Bilgrami's testimony that Darweish signed some documents relating to FGB that contained blank spaces, on the alleged grounds that Bilgrami concluded that Darweish normally would not sign blank forms on behalf of the Ruling Family (page 553). Directly to the contrary, the evidence that Bilgrami gave was that Darweish when appropriate customarily would sign blank forms on behalf of the Ruling Family. Thus there is no negative inference to be drawn from this testimony.
10. Even a cursory examination of the evidence actually given by Bilgrami before the Subcommittee on July 30, 1992 demonstrates that it does not in any way support the assertions made on pages 552 to 555 of the Report. Those assertions are analyzed below and compared with the evidence actually given by Bilgrami to demonstrate the falsity of the conclusions set out in the Report.

The Position of Bilgrami

11. The thrust of the Report's conclusions are to the effect that Bilgrami was a key figure in handling personal finances for Sheikh Zayed's Private Department at BCCI in the late 1970's, who had evidence that members of the Ruling Family acted as nominees in the acquisition of shares in FGB in 1978 (page 552).
12. The Report asserts that Bilgrami was "a key BCCI official who handled the finances of the Sheikh of Abu Dhabi for BCCI" and that he "handled personal finances for Sheikh Zayed's Private Department held at BCCI in the late 1970's, working closely with Abedi, Sheikh Zayed and Darweish, and having numerous direct contacts with each of them in this period" (page 552).
13. The Report's attempt to inflate the position and therefore importance of Bilgrami is not supported by the evidence. Bilgrami in fact told the Subcommittee that he was "based always in London" where, because he spoke Spanish, he was apparently assigned to look after the accounts of Sheikh Zayed as they related to "his dealings in Spain". As for his own "numerous direct contacts" with Sheikh Zayed, Bilgrami, in answer to the question from Senator Kerry as to the manner in which Sheikh Zayed handled his personal finances, said:

"Sheikh Zayed directly never dealt with me on those issues".

Thus, on his own evidence, Bilgrami is far from the central figure in this episode that Senator Kerry seeks to portray.

Chronology

14. The Report asserts boldly that Bilgrami told the Subcommittee that he and Darweish "were in Marbella, Spain in late 1977 or early 1978..." (page 552). In fact Bilgrami was considerably less certain as to the chronology in his evidence. He said:

"I can't be very certain of the exact date, but I think, I am not sure again, it was in 1977 or 1978, around that time".

Senator Kerry, plainly dissatisfied with the vagueness of that answer which did not fit in with the evidence he wanted Bilgrami to give, immediately prompted him:

"Late 1977 or early 1978 somewhere?"

To which Bilgrami responded:

"It's been some time. I was just...I was in Spain, Marbella, at that time with Mr Darweish."

15. Senator Kerry had one last attempt to persuade Bilgrami to adopt his chronology. He referred to the episode concerning the signing of the documents and continued:

"And this took place from late October 1977 to early April of 1978?"

Bilgrami replied hesitatingly:

"I...it's the dates...it's been some time. I can't be very specific whether it was around that period.

16. That is the entirety of the evidence concerning the chronology of this event. It was crucial to Senator Kerry that Bilgrami should date these events as occurring in late 1977 or early 1978 and, as is apparent from the above, Bilgrami would not even confirm this in response to leading questions from Senator Kerry.

Reading the Documents

17. The Report states that Darweish received a "stack of legal papers" from BCCI concerning the proposed takeover of FGB and that Darweish asked Bilgrami to read and review those documents. It continues:

"Bilgrami read them carefully..." (page 552).

18. In fact, Bilgrami's evidence was to the effect that, far from reading the documents carefully, he barely understood them. He said, for example:

"They were elaborate documents. I did not understand them fully at that time."

"Well, I myself didn't understand them much because I ... there were a lot of legal terms in that."

"I did not understand them, but I just gave him a gist of what I thought I understood ... from a very brief review of about 25 pages of documents."

19. Far from reading these documents "carefully", it was quite plain that Bilgrami had scarcely read them and failed to understand what he did read.

The Terms of the Agreements

20. This is crucial to the Report's allegation. It states that "the documents very clearly set forth a nominee relationship involving loans from BCCI for the purchase of shares in the US bank" (page 552). However, far from Bilgrami stating that the documents "very clearly set forth the nominee relationship", he gave no evidence at all at the public Senate hearings on the subject of nominee relationships.
21. Whether Bilgrami might have said something to this effect during one of the private "Staff interviews" referred to in the footnote, it is impossible to say, but it is plain from the episodes cited above that Bilgrami did not give the evidence at the public Senate hearings that Senator Kerry appeared to expect - presumably on the basis of what he had been told of the staff interviews. This would cast considerable doubt on the

reliability of the findings based on any evidence allegedly given during the staff interviews.

22. The Report also insists that Bilgrami gave evidence to the effect that the terms of the documents were for BCCI "to provide loans, with buy back agreements, to several members of the Abu Dhabi ruling family, in nominee arrangements". Senator Kerry did, indeed, make an attempt to persuade Bilgrami to give evidence that the documents he was supposed to have reviewed included buy back agreements; but his obvious attempts to lead the witness simply ended in confusion. Bilgrami could only recall that:

"... there were loans, there were proxies, there were voting rights, things of that nature. Buy-backs, I can't be 100% sure. It was some time ago."

23. In answer to a direct question from Senator Kerry as to whether he understood "that BCCI was agreeing to buy back shares", Bilgrami responded:

"At that time, my knowledge of these things was very limited. I really did not understand that."

24. This was plainly not the answer that Senator Kerry wanted or expected. He was thrown back on reminding Bilgrami that in a previous private discussion with his staff, Bilgrami had apparently indicated that he "did interpret this as a buy back of shares". Even with this prompting, all Bilgrami was prepared to concede was that:

"As far as I can recollect that's how it looked like".

25. This is scarcely the basis for the Report's bald allegation that these documents contained "buy back agreements" involving members of the Abu Dhabi Ruling Family "in nominee arrangements". It also casts further doubt on the reliability of the evidence allegedly elicited by Senator Kerry's staff during those private interviews.

Advising Darweish

26. The Report's conclusion that Darweish asked Bilgrami to "read and review these documents before he would sign them" (page 552) is another obvious attempt by the Report to inflate the role of Bilgrami. The evidence indicates that Darweish, almost as an afterthought, told Bilgrami that he could read the documents. As Bilgrami recalled:

"It was then when I was told to have it signed that I insisted, then he said, okay, you know, why don't you have a look at it."

Bilgrami continued:

"Mr Darweish asked me to just briefly tell him what they were about."

27. There is accordingly no support for the allegation that Darweish asked Bilgrami to read and review the documents before he would sign them.

Signing Documents with Blanks

28. The Report states that:

“At the time, Darweish advised Bilgrami that he was not happy about signing documents with blanks in them, but that he had little choice as the arrangements had already been made” (page 552).

29. Bilgrami's evidence directly contradicts this. Senator Kerry specifically asked Bilgrami whether Darweish indicated any concern about the blank spaces. Bilgrami replied:

“No he did not...”.

30. Senator Kerry returned to the subject later and again asked Bilgrami whether Darweish said he was reluctant to sign the documents because they were in blank. Bilgrami responded:

“Not ... it wasn't that. I think he was just being lazy about it.”

31. There is no mention of Darweish being reluctant to sign documents because “arrangements had already been made”.

Bilgrami's Purported “Conclusions”

32. Not content with having distorted, misreported or invented Bilgrami's evidence, the Report then purports to recite Bilgrami's “conclusions” although Bilgrami said no such things at the Senate hearing.

33. It says that Bilgrami concluded that none of Abu Dhabi's funds had been invested in the US and that Abu Dhabi's investors in FGB were nominees, for several reasons. It then enumerates Bilgrami's “conclusions”.

34. The first “conclusion” is that “the documents described loans from BCCI to pay the Abu Dhabi investors for the share purchases”. Bilgrami gave no such evidence. Such evidence as he did give plainly showed that he understood very little about the papers he had briefly seen. Senator Kerry asked whether the transaction “was a loan from BCCI to Mr Darweish”. Bilgrami responded:

“I am not sure whether it was a loan to him or not”.

35. Senator Kerry then asked whether it was a loan to purchase stock on behalf of Sheikh Zayed through a third corporation. Bilgrami replied that:

“There was a name of another corporation there, yes.”

But when further pressed all he would say was that:

"It had to do with Financial General and it was indirect. It was ... as I said, it was through another corporation."

36. Senator Kerry again tried to persuade Bilgrami to give the evidence he wanted:

"Did you understand that BCCI was lending money to Sheikh Zayed or his representatives?"

Bilgrami:

"I wasn't sure how they were handling it. All I knew was that it was a transaction which involved either Sheikh Zayed or Mr Darweish, and it was a loan to start off with".

37. Bilgrami did not give any evidence to the Subcommittee that the documents described loans from BCCI to pay the Abu Dhabi investors for the share purchases.

38. The Report continues that Bilgrami based his "conclusions" on the fact that the documents referred to "buy back arrangements, which would give BCCI control over the shares, including the right to buy or sell them, and to set the price of any sale". As is apparent from paragraphs 20 to 25 above, Bilgrami's evidence concerning the alleged existence of "buy back" agreements was confused and contradictory despite the pressure Senator Kerry put on him, and he gave no evidence whatsoever as to the terms of such alleged agreements, such as the right to buy or sell shares and to set the price of any sale of shares.

39. The Report next states that "Bilgrami had sufficient experience with the Abu Dhabi government to know that Darweish would not sign any documents with blanks in it if Abu Dhabi itself was making an investment." The evidence indicates that Bilgrami had very little experience at all of the way in which the Government made investments and his evidence as to Darweish signing documents with blanks in is contrary to that reported, as is demonstrated from paragraphs 28 to 31 above and the following exchange:

"Senator Kerry: Did he indicate any concern about the blank spaces?"

Bilgrami: No, he did not, but just to add on that, a couple of...a lot of instances, he used to sign documents with blanks for Spain, the transactions and we used to fill them in later on and send him a copy of what he had signed".

40. Later Senator Kerry reverted to the subject:

"Senator Kerry: Okay. Did Abu Dhabi on other occasions make investments of a similar nature with documents that were in blank?"

Bilgrami: A lot of properties initially which were purchased were purchased in that manner and then documented probably afterward".

41. The Report concludes by stating that "Darweish made it clear to Bilgrami that the purchase of the US bank was an "Abedi operation from beginning to end"." This was not evidence that Bilgrami gave to the Subcommittee. All that Bilgrami recalled was that Mr Darweish had said:

"This was one of Mr Abedi's projects, yes."

Hardly support for the Report's sweeping statement.

The Close Resemblance

42. On page 554, the Report states:

"It is also significant that Bilgrami's description in staff interviews of the papers allegedly involving Abu Dhabi acting as a nominee for BCCI in 1977 and 1978 closely resembles the actual nominee arrangements BCCI reached with all of the other Arab shareholders -- documents Bilgrami has never seen".

43. Leaving aside the fact that Bilgrami quite evidently had very little idea of the nature of the documents he briefly saw, the Report signally fails to particularize the way in which the Abu Dhabi papers allegedly resembled those with "all of the other Arab shareholders".
44. The most that Bilgrami was prepared to state was that the paperwork included loans, proxies and voting rights. Such documents would have been entirely consistent with a legitimate and straightforward investment in FGB.
45. Since Bilgrami did not give evidence before the Subcommittee as to "the papers allegedly involving Abu Dhabi acting as a nominee" it is difficult to understand how these might closely resemble the actual nominee arrangements BCCI is supposed to have reached with all of the other Arab shareholders. It is yet another unsubstantiated slur by the Report.

Bilgrami's Credibility

46. As already noted, Bilgrami is a convicted felon whose testimony is inherently unreliable. As demonstrated above, Bilgrami's sworn testimony departs substantially from the Report's description of what he said in private staff interviews.

No Documentary Corroboration

47. The Report (p 553) notes that Bilgrami claimed to have made a copy of the documents he gave Darweish in Spain "in order to understand them better", and "carried the documents with him whenever he was transferred to a new country." There is no plausible reason why he would have done this, since he had no responsibility for FGB/ CCAH related matters. The Report also notes that the documents were not found among the papers seized from Bilgrami when he was arrested in October 1988, despite

his claim that they remained among his papers at that time. This further underscores Bilgrami's lack of credibility.

The Report acknowledges that the Subcommittee has no documentary evidence to substantiate its interpretation of Bilgrami's evidence but claims, with no evidence whatsoever to support the proposition, that this is because the documents have not been made available by the "Abu Dhabi authorities" (page 555). It apparently did not occur to the Subcommittee that the real reason is that there are no such documents.

48. After Bilgrami's testimony, the Majority Shareholders wrote to Senator Kerry expressly to deny any implication that either Darweish or H H Sheikh Sultan Bin Zayed Al Nahyan acted as a nominee for BCCI in the FGB transaction. There is no mention of this denial in the Report. So that the record is clear: neither the Ruling Family of Abu Dhabi, nor anyone acting on their behalf, ever acted as a nominee in BCCI with respect to FGB or CCAH, nor did they know that other shareholders were in fact acting as BCCI's nominees. When they learned of documents showing the nominee arrangements with certain shareholders in early 1991, they took immediate steps to notify the Federal Reserve Board.

Allegations of a Political Agenda

49. In a bizarre twist, the Report suggests that H H Sheikh Zayed may, on the other hand, have had a "political agenda" in wishing to acquire an interest in a US banking operation (page 541). In any case, this suggestion of a political agenda must run directly contrary to the supposition that H H Sheikh Zayed's shareholding was held as a nominee. This direct contradiction is just one example of the way in which the Report seeks to place every possible negative construction - or conjecture - on the available evidence.
50. The Report's speculation about a "political agenda" allegedly rests on an unsworn staff interview with Bert Lance. However, in sworn testimony Lance expressly denied any knowledge of any "political agenda" associated with the purchase of FGB. This allegation is untrue and unsupported by any credible evidence. It seems the only "political agenda" here is the Report's own agenda.

CHAPTER 5: CRITICISMS RELEVANT TO BCCI

A. INTRODUCTION:

This chapter contains a detailed rebuttal of allegations in the Report about the Majority Shareholders' alleged involvement in the BCCI affair. As is amply demonstrated, the Report is unreliable and inaccurate.

B. THE MAJORITY SHAREHOLDERS WERE NOT NOMINEE SHAREHOLDERS IN BCCI AND PAID MORE THAN \$2 BILLION FOR THEIR SHARES

General Allegations concerning the Shareholding

1. Without producing any evidence, the Report conjectures that the Majority Shareholders might not be true beneficial owners of their shareholding in BCCI, but nominees for BCCI itself. The following paragraphs contain an analysis of the material cited as supporting this view.

Draft Section 41 report

2. The Report entirely misrepresents what Price Waterhouse's report says about the Majority Shareholders' shareholding in BCCI in order to fit the conclusion that it wishes to reach. It states at page 548:

"Information contained in the Section 41 report of Price Waterhouse ... suggests that the shares in BCCI held by the ruling family of Abu Dhabi were purchased according to BCCI's typical practices for nominees — paid for by loans from BCCI itself, with buy-back agreements and guarantees to insure the purchaser against loss."

3. To the contrary, there is no suggestion in the draft Section 41 report that the Majority Shareholders' shares were a mere nominee arrangement paid for by loans from BCCI. The whole thrust of Section 2 of that draft report is that the Majority Shareholders were the beneficial owners of their shares in BCCI.

What Price Waterhouse wrote in the draft Section 41 report was this:

"Some shareholders, including members of the Ruling Family of Abu Dhabi, acquired shares on the basis of guaranteed rates of return and others acquired their shares on the basis of buy back arrangements".

There was nothing improper, or even secret, about those arrangements; nor does the draft Section 41 report question the propriety of these arrangements. There is a great deal of difference between acquiring shares subject to guarantees and put options, and

colluding in nominee arrangements. The Report ignores this distinction and, instead, confuses the different issues in order to cast suspicion on the Ruling Family.

Payments for Shares

4. The Report asserts that the Majority Shareholders have refused to answer the Subcommittee's questions concerning the cost of the stock bought or sold on behalf of the Majority Shareholders and concludes:

"To the extent that Abu Dhabi did not pay for such shares, there will be substantial questions as to whether it, like BCCI's other shareholders, was also a nominee for BCCI."

This allegation is unfounded. In any case, it is based on a distortion of the record.

5. The Report cites the failure by Mr Al Sayegh to answer written question 28 posed to him by the Subcommittee:

"Al Sayegh did not provide the answer to the question of how much Abu Dhabi paid each time for its shares of BCCI stock." (page 547).

But that was not the question asked of him. The question asked Mr Al Sayegh to:

"Provide the actual date of each infusion of capital to BCCI paid in by any of the Majority Shareholders, and the amount paid in."

In responding to this question, Mr Al Sayegh quite properly raised a query concerning the information requested.

"I am not certain I understand the reference in the question to "capital paid in by the Abu Dhabi shareholders at each time," since Annex 1 shows that many of the Majority Shareholders' share purchases were from third parties, rather than purchases of newly issued stock, and other stock acquisition came in the form of dividends."

The Subcommittee could have clarified its question after receiving Mr Al Sayegh's response, but chose not to do so. The Report omits the query raised by Mr Al Sayegh as to the reference to "capital paid in", and accordingly materially misrepresents the answer given by Mr Al Sayegh.

6. As is accordingly apparent, the Subcommittee did not in fact ask "how much Abu Dhabi paid each time for its shares of BCCI stock" (page 547) as the Report asserts. But based on the alleged failure to answer a question which was never asked, the Report concludes:

"The fact that Abu Dhabi has refused to answer these questions suggests that the facts, if revealed, would not be helpful to Abu Dhabi's position that it was never a nominee for BCCI, and was always at risk." (page 548)

Thus the Report conveniently obscures the fact that there is no evidence whatsoever that any of the Majority Shareholders acted as a nominee for BCCI. This is because there is no such evidence; none of the Majority Shareholders ever acted as a nominee for BCCI.

The Facts

7. In point of fact, the Abu Dhabi shareholders paid more than \$2 billion for their shares in BCCI, which includes an investment of \$1.2 billion in April 1990 in an effort to rescue the bank. There would have been no reason to make this investment if the Abu Dhabi shareholders had not had substantial funds previously invested which were at risk.

Varied Shareholdings

8. Senator Kerry points to the way in which the Majority Shareholders' minority holdings in BCCI varied over the years and cites this as evidence that they might be nominees rather than beneficial owners of the shares (pages 545 and 546). This is a misconceived allegation. As set out above, the Majority Shareholders did not act as nominees.
9. The Report refers to the fact that the interest of the Majority Shareholders in BCCI dropped between the period from 1972 to 1980 but then increased substantially during the 1980s. The Report finds that pattern "unusual". It is insinuated that this is an indication that the Majority Shareholders acted as nominees. The real position is that the Majority Shareholders paid more than US\$800 million in acquiring shares in BCCI during the 1980's, even before the further major investment of 1990. All of that enormous investment was rendered worthless when BCCI was shut down. These are decidedly not the characteristics of a nominee investment.

Bank of America shares

10. The Report suggests that Abu Dhabi bought Bank of America's BCCI shares in 1980 and 1981 when BCCI "needed a purchaser" (page 536). That suggestion is wrong, as the Subcommittee should be aware. It is a matter of record that the shares in BCCI belonging to the Bank of America were sold to ICIC over three years from 1978 to 1980. Those shares were not sold to the Majority Shareholders. The innuendo of this paragraph is that the Majority Shareholders were somehow acting in collusion with BCCI in acquiring these shares, a charge which is completely unfounded.

Abu Dhabi borrowings from BCCI

11. The Report places considerable significance on the fact that the Ruling Family was recorded in BCCI's books as a substantial borrower and, indeed according to the Report, BCCI's largest borrower (pages 536 to 549). It speculates, at page 548, that:

"While the evidence is not conclusive, there is a significant possibility that BCCI simply loaned the ruling family the funds for its stock, or provided them gratis."

The sole "evidence" that is stated in the Report is extracts from various audit reports showing that at various dates members of the Ruling Family had loans outstanding with BCCI. The fact is that the Ruling Family did, from time to time, make use of what were effectively overdraft facilities with BCCI. These were temporary arrangements, not long term loans, and were certainly not used to finance holdings of the Ruling Family in BCCI. The Report's allegation is, once again, misguided.

ADIA's Shareholding

12. The Report conjectures that ADIA's 10% shareholding in 1980/1981 might have been taken on a no-risk, guaranteed return basis (pages 539 and 547). The truth, as ever, is different. The only basis on which ADIA was prepared to make its acquisition of BCCI shares in 1980/1981 was an arrangement whereby ADIA received a guarantee that, if it was not content with its investment after 2 years, then its shares would be repurchased with a 20% premium. On this basis, ADIA paid US\$40 million for its shares. Although these were subject to a put option in favor of ADIA, it is not true that these were held on a risk-free basis. As it transpired, ADIA did not exercise the put option when it expired two years later. The loss suffered by ADIA on this investment is adequate evidence that it bore the risk on this shareholding.

The Report's Conclusions

13. On the basis of the minimal or indeed non-existent evidence which has been referred to above, the Report concludes that Abu Dhabi's BCCI shareholding may possibly have been a nominee arrangement, except ADIA's which it grudgingly admits "appeared to be genuine" (pages 547 to 548).

Elsewhere in the Report, the lack of any convincing evidence to support the suggestion that the Majority Shareholders might have been nominees seems to be recognized (although not acknowledged). Indeed, the Report elsewhere states that Abu Dhabi may have been the sole shareholder of BCCI as at July 5, 1991 (pages 51, 537 and 569).

C. THE MAJORITY SHAREHOLDERS DID NOT PARTICIPATE IN BCCI'S FRAUDS

The Report lists a series of frauds perpetrated by BCCI management and suggests that the Abu Dhabi shareholders participated or acquiesced in these frauds. As shown below, the Abu Dhabi shareholders were victims, not participants, in these frauds.

The Majority Shareholders did not Approve the Fraudulent Placement of Funds with National Commercial Bank of Saudi Arabia

The Allegation

14. The Report asserts that in September 1990, Price Waterhouse

“... had begun to realize that Abu Dhabi officials were now colluding with BCCI in continuing fraudulent practices, and in hiding them from Price Waterhouse.”

This conclusion is based on the allegation that the Majority Shareholders approved an increase in the fraudulent placement of funds by BCCI Overseas with National Commercial Bank of Saudi Arabia. The report quotes the draft Section 41 report as the source for this allegation, but there is no suggestion in the draft Section 41 report that the Majority Shareholders were involved in this episode.

The Facts

15. This allegation was contained in the October 1990 report of Price Waterhouse, but was not repeated in the June 1991 draft Section 41 report. By that time Price Waterhouse had no doubt realized that this allegation was groundless. Price Waterhouse had based the allegation in their report of October 1990 on information provided by Zafar Iqbal, the discredited acting CEO of the BCCI Group. The unverified and uncorroborated information which was told to Price Waterhouse by Iqbal in September 1990 was not confirmed by them with any representative of the Majority Shareholders. In brief, the position is this:
 - (a) The Majority Shareholders did not approve the further deposit of funds with NCB;
 - (b) A BCCI Board resolution was passed approving the increase but this was (i) passed in July 1990; (ii) after the transaction had occurred; and (iii) the true nature of the payment was not explained to the directors;
 - (c) Price Waterhouse's allegation concerning the placement was based solely upon the say-so of Zafar Iqbal and was not verified: Price Waterhouse met H E Mazrui on two occasions after they had been told of this allegation but failed to raise this issue with him.

Accordingly, there is no basis upon which the Report can reach the conclusion that Abu Dhabi officials were colluding with BCCI in continuing fraudulent practices.

The Majority Shareholders did not Confirm a Fictitious Loan

The Allegation

16. The Report alleges that H E Mazrui confirmed “at least one fraudulent transaction” (page 539).
17. This allegation refers to a document which appears to bear H E Mazrui's signature and to confirm the balance of a fictitious loan which had been fraudulently recorded by the BCCI management in the name of H H Sheikh Khalifa bin Zayed al Nahyan, the Crown Prince of Abu Dhabi. The Report states that Price Waterhouse “rejected” H E Mazrui's “contention” that this signature must have been forged (page 559).

18. This allegation derives entirely from a short passage in Price Waterhouse's draft Section 41 Report:

"... we have become aware of his confirmation of what has now been revealed to be a fictitious loan in the name of the Crown Prince of Abu Dhabi. He could not recollect signing the confirmation that was presented to him by Iqbal and suggested to us that his signature might have been forged."

The Facts

19. The source of the loan confirmation was again Iqbal. None of the available evidence supports the suggestion that H E Mazrui signed the balance confirmation. In brief, the position is as follows:
- (a) H E Mazrui did not confirm the balance of this fictitious loan and had no knowledge of it until it was drawn to his attention by Price Waterhouse.
 - (b) The available evidence suggests that Iqbal was responsible for the fictional balance confirmation as a means of diverting attention from his own role in the matter. Both Iqbal and Swaleh Naqvi have admitted that they never sent a loan confirmation form for H E Mazrui to sign.
 - (c) There is no support for the statement in the Report that Price Waterhouse "rejected" H E Mazrui's "contention" that his signature must have been forged. Certainly this is not suggested in the draft Section 41 report.
 - (d) Indeed, Price Waterhouse could not have drawn any conclusions about this because the detailed evidence surrounding this allegation was not investigated by Price Waterhouse before their draft Section 41 report was delivered to the Bank of England.
 - (e) This transaction is an example of BCCI victimizing the Majority Shareholders by using their names to carry out false transactions without their knowledge.

The Majority Shareholders' Representative Rejected BCCI's Attempt to Influence him through Unauthorized Share Deals.

The Allegation

20. The Report alleges that H E Mazrui received "unorthodox financial benefits from BCCI in no-risk stock deals which may have compromised his ability to exercise independent judgement" (page 539). The Report goes on to allege that H E Mazrui participated in improprieties and received no-risk financial pay-offs from BCCI (page 558), and repeats the allegations in Price Waterhouse's draft Section 41 report concerning his share dealings (pages 558 and 582).

21. H E Mazrui did receive a profit from an unauthorized transaction undertaken by BCCI on his behalf in July 1986. His first notice of this transaction occurred when he learned that a substantial sum had been transferred from BCCI to his bank account. When he questioned the reason for this transfer, he was told that BCCI had arranged a stock transaction on his behalf. H E Mazrui knew nothing about how this transaction had been recorded on BCCI's books, and was unaware that the "profit" was derived from a purported purchase and sale of stock that had occurred in a single day.

Although H E Mazrui was unaware of the true nature of the transaction, he was uncomfortable to be profiting from a transaction he had not authorized. H E Mazrui insisted that BCCI should reverse the sale and take back the profit. When BCCI said that this was not possible, H E Mazrui donated the profits that had been transferred to his account to charity.

22. It is no doubt possible that BCCI undertook this transaction in an attempt to influence H E Mazrui. If so, that attempt failed.
23. The first time that H E Mazrui learned of the manner in which the profit credited to his account had been generated by BCCI and, in particular, that this had resulted from the purchase and sale of shares on the same day, was at a meeting with representatives of Price Waterhouse on June 18, 1991. H E Mazrui had never received any documentation or explanation before (or at) that meeting, whether from BCCI or ICIC companies or elsewhere, which explained the nature of the alleged share transaction.
24. It is strange that Price Waterhouse did not give H E Mazrui a full opportunity to explain his side of this story. When Price Waterhouse raised the issue with him on June 18, 1991, they failed to provide him with any of the documentation which would have assisted his recollection both of the 1986 transaction and his other share dealings and loans. There can be no doubt that Price Waterhouse had such documentation because they showed it to H E Mohammed Habrourh Al Suweidi several days later. The inclusion of this reference to H E Mazrui in the draft Section 41 Report might perhaps be better explained by the breakdown in the relationship between Price Waterhouse and H E Mazrui arising from the allegations of negligence he had made of them at that time.

The Majority Shareholders did not Assert that Fictitious Loans were Recoverable

The Allegation

25. Senator Kerry quotes the allegation in Price Waterhouse's draft Section 41 report that H E Mazrui contended that certain fictitious loans were recoverable (pages 74 and 558). This allegation is no more than a brief comment in paragraph 1.33 of the draft Section 41 report:

"In addition, up until discussion of our Report to the Directors and Regulators of October 3, 1990, HE GF Mazrui contended that the loans

for collection by the shareholders which have now been proven to be totally fictitious, were recoverable.”

The Facts

26. This allegation is strongly denied by H E Mazrui and no substantiating evidence of any sort has any been produced by Price Waterhouse. All of the surrounding evidence suggests that there is no truth in this allegation:
- (a) This allegation was not based on any alleged statement by H E Mazrui to Price Waterhouse. Instead, it is based entirely on information provided to Price Waterhouse by Iqbal.
 - (b) This information was never checked by Price Waterhouse with H E Mazrui.
 - (c) It is not suggested what motive H E Mazrui could possibly have had for wishing to deceive the auditors in this way at a time when he was promoting the creation of an Investigating Committee (to include partners of Price Waterhouse) to investigate these very matters.
 - (d) The Report of Lord Justice Bingham, based on evidence given by Price Waterhouse, records that H E Mazrui expressly stated that he was not sure how much of these loans would be recoverable.

Naqvi Did Not Give the Majority Shareholders a Full Confession in April 1990

The Allegation

27. The Report makes much of Price Waterhouse's allegation that representatives of Abu Dhabi were briefed by Naqvi in April 1990 on the frauds within BCCI. It repeats the allegation made by Price Waterhouse in their draft Section 41 report (pages 74 and 558). It states that the Majority Shareholders were told "in detail about BCCI's fraud" in April 1990 and did not tell BCCI's auditors (page 539 and 561); and that Abu Dhabi knew of the frauds since at least April 1990 (page 354). The Report makes no attempt to identify in any detail what it was that the Majority Shareholders were told: merely that they were briefed on "BCCI's frauds".
28. Again, this allegation derives from a brief passage in Price Waterhouse's draft Section 41 Report. All that was stated in that draft report was:

“We are, however, informed that HEGFMazrui and the Government were briefed fully on all the problems in April 1990 ...”

Price Waterhouse do not identify the source of this information or say what is meant by the "problems".

The Facts

29. This allegation is unsubstantiated and misleading.
- (a) It is based on hearsay - the Price Waterhouse Report - which was itself based on hearsay without any evidence which would bear objective scrutiny.
 - (b) Naqvi did not make a "confession" to the Majority Shareholders in April 1990. What he did was to give some partial and vague information as to (i) the existence and (ii) the scale of the problems within BCCI. Naqvi's sole purpose in providing this information was to persuade the Majority Shareholders to inject substantial sums into BCCI so that it could address the problems identified. They had only days to determine whether to allow BCCI to collapse, or to inject over \$1 billion in an effort to rescue the depositors and recover their own deposits and equity investment in BCCI. The decision was made to take the emergency steps necessary to save BCCI from collapse, and then take the time necessary to investigate Naqvi's disclosures.
 - (c) All that Naqvi provided, and then only when pressed by the Majority Shareholders' representatives to do so, was a three page handwritten summary outlining the losses suffered. It would be quite wrong to suggest that there was anything like a detailed briefing on or confession as to the fraud in BCCI. The information supplied at that time to the Majority Shareholders was not supported by any documentation indicating or verifying the nature and the scale of the frauds.
 - (d) By far the most significant claim by Naqvi was that \$2.2 billion in funds belonging to the Ruling Family had been used to fund BCCI losses and was therefore irrecoverable. This revelation was made by Naqvi to justify a further capital injection by the Majority Shareholders. Needless to say, the Majority Shareholders were shocked by this disclosure, were skeptical that their money was truly irrecoverable, and were extremely reluctant to provide even more funding to an organization that had just admitted to misuse of the Ruler's funds on an unheard-of scale. It was only after the \$1.2 billion capital injection, and closing of the 1989 accounts, that Naqvi elaborated on the "problems" described in his three-page summary and began to reveal some of the true causes of the losses. Over the next year, the Majority Shareholders took responsible steps to fully investigate these frauds, which turned out to be far more extensive than anything revealed in April 1990.

In summary it is wholly misleading to suggest that the Majority Shareholders had any form of detailed or full briefing from Naqvi in April 1990. It is worth noting, in this context, that Naqvi made a confession to Price Waterhouse on February 28, 1990, a very significant development which Price Waterhouse failed to report to the Majority Shareholders, and which only became apparent when the Report of Lord Justice Bingham was published. Perhaps this explains the eagerness of Price Waterhouse to emphasize the importance of the alleged "confession" to the Majority Shareholders in April 1990: it assisted in excusing their curious omission to inform the Majority Shareholders of the previous confession.

The Majority Shareholders Took all Possible Steps to Make Naqvi's files Available to Investigators

30. The lack of investigation or even careful preparation that characterize the Report is nowhere more evident than in the section headed "Coverup and Obstruction of Investigations" at pages 561 to 563 of the Report and, in particular, the passages dealing with Naqvi's files.
31. The Report deals at some length with allegations made by Price Waterhouse that the Majority Shareholders gave Naqvi access to BCCI documents and concealed the fact from BCCI's auditors (page 352 and 562); that Abu Dhabi impeded Price Waterhouse's access to files held by Naqvi in Abu Dhabi (pages 353 and 562); that Price Waterhouse had to bring pressure to bear on Abu Dhabi to gain access to the Naqvi papers (pages 353 and 562); and that it was possible that Naqvi's files were cleansed of evidence of Abu Dhabi's involvement in BCCI frauds (pages 353, 354 and 563). This paper deals with each of these allegations in turn.

Allegation that Abu Dhabi gave Naqvi access to BCCI documents

32. The Report states at page 563 that "Abu Dhabi had placed Naqvi, a principal architect of BCCI's frauds, in charge of BCCI's most important and secret records ... For the past eight months, Naqvi and Abu Dhabi had maintained exclusive control of those records". This is nonsense. As of April 1990, the headquarters of the BCCI Group - including Naqvi's office and papers - was in London; it was only moved to Abu Dhabi in October 1990, at the prompting and with the encouragement of the Bank of England and the IML. Accordingly, the Majority Shareholders had no control (let alone "exclusive control") of BCCI's records; nor were they in any position to place Naqvi in charge of these records, which he already held.

Allegation that Abu Dhabi concealed Naqvi's files from Price Waterhouse

33. The Majority Shareholders (and their representatives) knew absolutely nothing about Naqvi's records until Price Waterhouse told them what they had found at Naqvi's office in November 1990. The Majority Shareholders had of course taken it for granted that all of the bank's head office records would have been brought to Abu Dhabi when the CSO was moved there in October 1990 (only one month earlier). However, they had no idea what documents Naqvi might have had, how many documents or files there were or what they comprised.

Allegation that Abu Dhabi impeded Price Waterhouse's access to Mr Naqvi's files

34. The allegation, at page 562 of the Report, is a classic example of the casual approach to evidence shown by the whole Report. It reads:

"As Price Waterhouse described it, when they confronted Abu Dhabi with their concerns about Naqvi, and a request to review the files he controlled, they were told by Abu Dhabi authorities that the auditors could not have access to them, and that they would remain under the control of the discredited Naqvi." (emphasis added).

This statement misquotes Price Waterhouse in a critical respect: Price Waterhouse say that they were refused access to Naqvi's documents by "senior BCCI management"; The Subcommittee reports that it was refused access by the "Abu Dhabi authorities". The Majority Shareholders do not know what Price Waterhouse may have been told by senior BCCI management; what they do know is that Price Waterhouse only requested them for access to Naqvi's papers on one occasion, and this was very shortly before November 21, 1990.

Allegation that Price Waterhouse had to press Abu Dhabi to gain access to Naqvi's papers

35. This allegation is misconceived; as soon as the Majority Shareholders became aware of the problem concerning access, they ensured immediate steps were taken to secure the documents and facilitate access to Price Waterhouse. Shortly before November 21, 1990, Price Waterhouse representatives on the Investigating Committee came to see the representative of the Majority Shareholders who had been appointed the Chairman of that Committee, and told him that Naqvi had important documents that they needed and that they wanted to seal Naqvi's office. The Chairman of the Committee did not know what documents they were referring to but assumed they must be bank records. He readily agreed that Naqvi's office should be sealed and suggested that the office should be entered immediately, and Iqbal was told to assist Price Waterhouse by arranging with Naqvi for the documents to be made available in order to speed up the investigation.

Allegation that Naqvi's files may have been cleansed of evidence

36. The Report states: "... the auditors had no way of determining the extent to which those documents were already cleansed of any material damaging to the new owners of BCCI ..." (page 563). This statement invites the reader to conclude that Naqvi could have been expected to have in his files material damaging to Abu Dhabi, but there is no evidence to suggest why this should have been so. The suggestion is entirely without foundation since, as explained above, Abu Dhabi did not even know that Naqvi's files existed until Price Waterhouse told them. Moreover, since those files contained clear evidence of frauds committed by Naqvi when they were retrieved by Price Waterhouse, it seems improbable that Naqvi had tampered with them.

The Majority Shareholders Did Not Deceive the Auditors

37. Pages 352 to 354 of the Report are headed "Abu Dhabi Deceives the Auditors". This heading itself is a damaging allegation that is not substantiated or justified by the contents of the paragraphs that follow it.
38. The heading appears to be used because of the three specific allegations contained at pages 352 to 354, namely that:
- (a) Abu Dhabi concealed information from Price Waterhouse in April 1990;

- (b) Abu Dhabi colluded in the increase by BCCI of its fraudulent placements with National Commercial Bank in July 1990; and
- (c) Abu Dhabi placed BCCI's most vital records in the hands of Naqvi and prevented PW from having access to them.

39. These allegations have all been answered in detail above and are, in their essential particulars, without substance: see paragraphs 27-29, 14-15 and 30-36 above.

Further Unfounded Allegations concerning H E Mazrui

- 40. Specific allegations in the Report directed at Abu Dhabi and H E Mazrui in particular have been answered above. It is, however, also worth responding to an insinuation made in the Report that there was something reprehensible in the alleged involvement of Abu Dhabi and H E Mazrui with two Hong Kong banks, Hong Kong Deposit and Guaranty Company Limited and Tetra Finance (HK) Limited, which collapsed in 1983, at pages 406, 407 and 557. The Subcommittee's treatment of this matter provides further evidence of its willingness to make insinuations of guilt without any evidence.
- 41. The Report notes that both Hong Kong banks collapsed and says that "nothing happened to Al Mazrui ...". It does not suggest why anything should have happened to H E Mazrui but the innuendo is plain.
- 42. It continues:

"Al Mazrui appeared to be unaffected by the collapse of the banks of which he was a director, and to all appearances, to which Abu Dhabi had contributed either capital or assets". (page 407)

Nowhere in the report is there any mention, let alone evidence, that Abu Dhabi had contributed either capital or assets to either of the two Hong Kong banks. In point of fact Abu Dhabi has never contributed either capital or assets to either of these banks, an inconvenient fact which, no doubt, the Subcommittee could have ascertained for itself if it had so wished.

- 43. Having made this entirely spurious assumption, the Report goes on to state:

"The lack of reaction to the collapse of the banks by the Abu Dhabi ruling family and the government raises the question of whether the Abu Dhabi investment authority or Al Mazrui himself were ever at risk, or whether the Abu Dhabi participation in the two Hong Kong banks was a risk-free nominee relationship." (page 407)

There is absolutely no evidence to support these extraordinary suggestions. Nowhere is there any evidence that either the Abu Dhabi Investment Authority or H E Mazrui had any shareholding in these banks (nor in fact did they), let alone that it might have been a "risk-free nominee relationship". The facts are that H E Mazrui's only connection with Tetra Finance (HK) Limited, which was incorporated in 1978, and

Hong Kong Deposit and Guaranty Company Limited, which was set up in 1980, was as an unpaid company director for scarcely more than a year, from 1982 to 1983. He never attended a single board meeting of either company nor did he discuss the affairs of the companies with the other directors. That was the entire extent of his involvement, and Abu Dhabi had no involvement at all.

44. To suggest, as the Report does, that this episode somehow raises the presumption that there was a "risk-free nominee relationship" in the Abu Dhabi "participation" in the two Hong Kong banks is, quite literally, incredible. It is a graphic illustration of the Subcommittee's apparent determination to damage the reputation of Abu Dhabi and H E Mazrui.

Further Unfounded Allegations of Fraud

45. The Report contains a number of generalized allegations of fraud. Examples are:
- (a) the statement that Abu Dhabi officials were knowing participants in substantial wrong-doing, at page 538;
 - (b) the allegation that H E Mazrui "engaged in other improprieties pertaining to BCCI", at page 539;
 - (c) the statement that H E Mazrui has clearly violated positions of trust, at page 559.

These statements are insufficiently particularized to enable the Majority Shareholders to understand what is being alleged, and to answer them. It is unclear whether they are intended to refer to other, specific allegations in the Report or whether they derive from evidence not referred to elsewhere. These allegations are typical of the biased, prejudiced and cavalier approach taken in drafting the report. They are unjustified and wholly defamatory.

D. COOPERATION BY THE MAJORITY SHAREHOLDERS WITH US INVESTIGATIONS

General Comments

46. One sentence above all others exemplifies the Report's determination to condemn the Majority Shareholders without a fair hearing and without examination of the evidence:

"Given Abu Dhabi's suppression of critical information about its role in BCCI, its contention that it is innocent of all wrongdoing in connection with BCCI, would, on this basis alone, inevitably be viewed with some skepticism."

It is therefore necessary to answer the Report's allegations about the Majority Shareholders' alleged suppression of information.

Cooperation with US investigation: post April 30, 1990

Transfer of Documents to Abu Dhabi

47. The Report asserts that the reason why many of BCCI's documents are in Abu Dhabi is that Abu Dhabi insisted on it in the Spring of 1990 (page 551). This is very far from the truth. In an attempt to control costs within BCCI, and with the active consent and encouragement of the Bank of England, the IML and Price Waterhouse, Abu Dhabi took the decision in October 1990 (and not the Spring) that the Central Support Office of the BCCI Group should be relocated in Abu Dhabi. It was simply as a result of that decision that certain BCCI documents were moved to Abu Dhabi by BCCI. (See the quotation at the foot of page 564.)

Documents Access in March 1991

48. The Report gives the most grudging acknowledgement of the access voluntarily given to the Federal Reserve to documents in Abu Dhabi in March 1991 (page 540). In doing so, it plays down the Majority Shareholders' key role in March 1991 in gaining access for the Federal Reserve to BCCI documents in Abu Dhabi, without which the indictments and enforcement actions in the US could never have been framed.
49. The Majority Shareholders explained in their written submission to the Kerry Subcommittee the assistance that they gave the Federal Reserve Board in obtaining access to documents and witnesses in Abu Dhabi. It was these documents that served as the basis for the BCCI enforcement actions and prosecutions:

"Federal Reserve investigative officials spent 6 days in Abu Dhabi in March 1991 reviewing the so-called Naqvi files relating to BCCI's ownership of U.S. banking institutions, and some 10,000 of these documents were turned over to U.S. authorities before BCCI was shut down. Thus, the documents most relevant to U.S. authorities have already been provided to them. The discussions described above concerning reciprocal cooperation in the investigations of BCCI under way in both the United States and the United Arab Emirates will address mutual access to documents, subject to approval by the U.A.E. Federal Civil Court and the U.S. authorities."

50. The final paragraph on page 551 refers to the Federal Reserve's review of documents in March 1991. Senator Kerry criticizes the fact that the material provided did not include any documents concerning the nominee arrangements involving Abu Dhabi. This criticism is of course predicated on the assumption that Abu Dhabi parties were nominees, which is not the case. The reason that there were no such documents suggesting that the Majority Shareholders were nominees is because the Majority Shareholders were not nominees. This is quite clear from the BCCI documents provided to the Federal Reserve, such as the schedules prepared within BCCI which set out the nominee shareholders quite separately from the bona fide shareholders. Moreover, the files reviewed by the Federal Reserve contained ample information about the Majority Shareholders' investments in CCAH, and were by no means edited to exclude such information.

Cooperation with US investigation: post July 5, 1991

Separation of Powers

51. Senator Kerry claims that the detainees held by the prosecuting authorities in the United Arab Emirates are under the control of the Abu Dhabi Government (page 538) and dismisses the separation of powers within the United Arab Emirates (pages 578 to 579). He says that the separation of powers "stretches credulity". The fact is that there is a divide between the federal prosecuting authorities in the United Arab Emirates and the Ruler of Abu Dhabi, one of the component states of the UAE. The Report's attitude is patronizing and dismissive, and is insulting and slighting to a foreign sovereign Government and its institutions.
52. Following the worldwide action to close down the operations of the BCCI Group in July 1991, the Federal Court in the United Arab Emirates took a lead in dealing with the operations and assets of the branches of BCCI SA in the United Arab Emirates. It appointed a receiver with appropriate powers and issued orders intended to safeguard the assets and documents of BCCI in the United Arab Emirates. One main purpose of the orders made by the courts in the United Arab Emirates was to ensure that the documents relating to BCCI remained in place so that investigations could be conducted unhampered by the possible destruction of documents.
53. The Report says that this approach is different to that which would be taken by the courts and judicial authorities in other countries (page 570). This is wrong; the UAE's action is closely similar to the steps taken by the courts of other jurisdictions. In most countries involved, the local court and locally appointed administrators have taken control of the assets and documents situated within their jurisdiction.

Commitments to Produce Documents and Witnesses

54. The Report alleges that Abu Dhabi has, since July 1991, made and broken commitments to provide witnesses and documents to assist US prosecutors (page 538). The only supporting evidence that he gives for this statement is to quote an answer given by Mr Al Sayegh at a Subcommittee hearing as recently as May 14, 1992, when Mr Al Sayegh said:

"We are in discussions now, ongoing discussions, with the Department of Justice [and the District Attorney of New York] on terms for an agreement to provide access to both individuals and documents ... They started a few weeks ago, Senator. I am certain we could wrap them up quickly."
55. This is very far from an immediate commitment to provide documents which has allegedly been broken. Since May 1992, the Majority Shareholders have continued their discussions with the Department of Justice, the District Attorney of New York and the Federal Reserve Board staff. In July 1992, an invitation was extended to representatives of the Department of Justice and the District Attorney of New York to travel to Abu Dhabi shortly to inspect documents and interview witnesses, with the approval of the Federal Court of the United Arab Emirates. Because DOJ and DANY

were unable to schedule an immediate visit, a batch of nearly 20,000 documents was, with the approval of the Federal Court of the United Arab Emirates, made available for review in Washington on September 21, 1992.

56. The Report asserts that the Majority Shareholders' production of documents to DOJ and DANY was a PR exercise timed to coincide with publication of the Report (pages 540 and 541). In fact, this was part of the on-going discussions between the Majority Shareholders and DOJ and the DANY for the provision of documents. The documents were first offered in July 1992. Because the US authorities were not available to inspect the documents in Abu Dhabi, the Majority Shareholders made arrangements to separate the requested documents, obtain the necessary court approvals, and ship the documents to the UAE Embassy in Washington. This production occurred in September 1992. So far as the Report is concerned, the Majority Shareholders are to be criticized whatever they do. If they delay in providing documents, they are criticized for withholding evidence. If they make it available, they are told it is a publicity stunt.

There Was No "Cover-Up" by the Majority Shareholders

57. The Report makes numerous allegations that Abu Dhabi officials engaged in a cover-up of fraudulent activity within BCCI from April 1990 onwards (pages 538 and 561). However, it was the Majority Shareholders who instigated the investigation into the wrongdoing at BCCI, in the course of which Price Waterhouse, among others, were given full access to both documents and witnesses through the formation of an Investigating Committee. This certainly is not the usual pattern of behaviour of a party attempting to cover up its previous involvement in fraud. Lord Justice Bingham, who had the advantage of taking evidence from Price Waterhouse, acknowledged the role of the Majority Shareholders in setting up this Committee in his Report:

"An investigating committee was established in Abu Dhabi by the Majority Shareholders to unearth the facts about BCCI's problem loans. This was a constructive move, for which full credit should be given."

Secrecy in the Restructuring

58. The Report asserts that Abu Dhabi agreed with BCCI, Price Waterhouse and the Bank of England to keep all information concerning the frauds within BCCI secret (page 540). It is certainly true that the attempts to refinance and restructure the BCCI Group between April 1990 and July 1991 were conducted in conditions of secrecy. The sole reason for this was the concern, shared by the Bank of England and Price Waterhouse, that publication of the problems within BCCI could lead to a run on the bank, which would have caused the very consequences that the restructuring was intended to avert.

Pursuit of Claims against Third Parties

59. It is suggested (at pages 571 to 572) that the Majority Shareholders may wish to settle litigation at an early stage and for a reduced recovery in order to ensure "the silence of BCCI's professional advisors, lawyers and accountants". This comment is unsubstantiated and without any basis in fact. As the largest victims of the BCCI affair, the Majority Shareholders have every incentive to pursue those responsible for the

losses they have suffered. What is more, following the publication of the draft Section 41 report and the Report, it is hard to imagine what further allegations could be made against the Majority Shareholders that have not already been made.

60. The Majority Shareholders have already shown that they are prepared to press claims against professionals involved in the BCCI affair. The \$8 billion Statement of Claim served on Price Waterhouse and Ernst & Young by the Liquidators on October 1, 1992 is an example. It is the result of enormous work by the advisors to the Majority Shareholders, as well as the Liquidators.

E. THE VOLUNTARY TESTIMONY OF AHMED AL SAYEGH AND THE UNWARRANTED ATTACK ON HIM IN THE REPORT

General Comments

61. The Report devotes 11 pages to the testimony given by Mr Al Sayegh at the hearing on May 14, 1992 (pages 575 to 585). While acknowledging that Mr Al Sayegh had no involvement in the irregularities within BCCI (page 575), the Report goes out of its way to attack Mr Al Sayegh. It attacks the evidence given by Mr Al Sayegh at the hearing, the answers subsequently given by Mr Al Sayegh to written questions and concludes with an attack on Mr Al Sayegh's credibility. These attacks are entirely unwarranted.

Mr Al Sayegh's Oral Evidence

62. The Report complains that Mr Al Sayegh was not knowledgeable of the matters under investigation and alleges that this was reflected in a number of his answers to important questions from the Subcommittee. It is asserted that this lack of knowledge:

"reflected an obvious decision by Abu Dhabi not to send someone to testify before the Subcommittee who knew what had actually taken place between BCCI and Abu Dhabi over the previous 20 years" (page 576).

63. This charge is unjustified. Indeed, it appears that Senator Kerry himself did not originally intend that the witness representing the Majority Shareholders be asked to answer questions concerning the involvement of the Majority Shareholders with BCCI and CCAH over the last 20 years. Senator Kerry's letter of March 20, 1992 to Patton Boggs & Blow simply requested that a witness be provided on behalf of the Majority Shareholders to testify at a forthcoming hearing concerning:

"... the nature and extent of the cooperation of BCCI's liquidators and the Government of Abu Dhabi with the ongoing investigations in the United States; as well as the status of negotiations concerning the disposition of the First American Bank, and related issues pertaining to CCAH's shareholders."

64. Senator Kerry asked that the Majority Shareholders prepare an opening statement addressing the following issues:

"the history and status of negotiations to facilitate the sale of the First American Bank;

cooperation to date by the Government of Abu Dhabi and by Sheikh Zayed with US law enforcement and regulatory investigations;

the status of BCCI officials currently living in Abu Dhabi;

the status of BCCI documents currently held in Abu Dhabi."

65. It was only on April 30, 1992, two weeks before the date of the hearing, that Senator Kerry asked that the witness appearing on behalf of the Majority Shareholders prepare an opening statement addressing, inter alia, the history of the interests held by the Majority Shareholders in BCCI and CCAH. A statement was then prepared addressing the nine issues identified by Senator Kerry in that letter of April 30. Mr Al Sayegh, a member of the Majority Shareholders' Working Group, agreed to give evidence before the Subcommittee on May 14, 1992. It should be noted that Mr Al Sayegh's testimony was entirely voluntarily. He was not subject to a subpoena, and travelled halfway around the world in an effort to demonstrate the Majority Shareholders' desire to cooperate with US authorities.
66. No concern was expressed at the hearing that Mr Al Sayegh was not able to answer all the questions asked from his own personal knowledge. Indeed, Senator Kerry said that he was "very appreciative" of Mr Al Sayegh coming to Washington. It is accordingly curious that the Report has chosen to make these allegations only following the completion of the giving of oral and written evidence by Mr Al Sayegh. Indeed, given the apparent concern now expressed, it is inexplicable that Senator Kerry should have refused Mr Al Sayegh's subsequent request for a follow-up meeting in Washington (see paragraph 75 below). This is perhaps explained by an apparent eagerness to demonstrate that the Majority Shareholders have something to hide concerning their involvement with BCCI and CCAH. To that end, the Report distorts the true position of the Majority Shareholders on many issues, including the evidence given by Mr Al Sayegh.

Written Questions

67. Towards the end of the hearing on May 14, 1992, Senator Kerry stated that there were additional witnesses present whose evidence he was anxious to hear. Senator Kerry said that he had some additional questions to ask Mr Al Sayegh which time would not permit him to ask that afternoon. He inquired of Mr Al Sayegh as to his schedule, asking whether he was going back to Abu Dhabi immediately or whether he would be able to answer the questions "in short order before you return." Mr Liebman of Patton, Boggs & Blow responded that, if the questions could be submitted quickly, he was sure that a response could be expedited.
68. Senator Kerry made it clear that he was asking Mr Al Sayegh's agreement to answer written questions simply because he wished to hear evidence from other witnesses and would not have time to ask further questions of Mr Al Sayegh in what remained of that afternoon. He gave no indication that he was dissatisfied with Mr Al Sayegh's answers

at the hearing and did not suggest that Mr Al Sayegh return to give evidence on another occasion. The transcript of the hearing records Senator Kerry as saying:

"I do have some additional questions. I wonder if there is a way, Mr Liebman - I am not sure what Mr Sayegh's schedule is going to be. I do not want to prolong this right now."

This is confirmed by the Report itself, which records that "Senator Kerry requested, and Al Sayegh agreed to provide, answers to a number of remaining questions in writing" [emphasis added]. It was on this understanding that Mr Liebman agreed to respond to written questions as quickly as possible.

69. It was only on May 20, 1992, 5 days after the hearing and after Mr Al Sayegh had returned to Abu Dhabi, that the Subcommittee's staff submitted the promised written questions. Far from being a short list of questions concerning areas not covered by Senator Kerry at the hearing itself, the Subcommittee sent 65 detailed written questions, many of which duplicated questions which had been asked, and answered, at the hearing.
70. In its covering letter, the Subcommittee explained the purpose of sending the written questions:

"As specified by Senator Kerry at the conclusion of his testimony, these questions are intended to provide a fuller account of the many matters pertaining to Abu Dhabi's role in BCCI for which there was insufficient time to enquire during the hearing itself."

The transcript of the hearing cited above makes it clear that this was not what Senator Kerry had said.

71. Of the 65 written questions submitted, only 10 issues had not been the subject of questions at the hearing. The remaining questions appear to have been an attempt to duplicate the oral questions, but this time in writing. Indeed, a number of the written questions simply repeated questions asked at the hearing. For example, Senator Kerry asked at the hearing:

"What is the function of James Lake and his firm on behalf of Sheikh Zayed?"

Written question 58 asked:

"What is the function of James Lake and his firm on behalf of Sheikh Zayed now?"

Even the language is duplicated.

72. It would, of course, have been far more helpful had the Subcommittee's questions been submitted in advance of the hearing so that Mr Al Sayegh could have had the opportunity to research areas where he had no personal knowledge.

73. It must be assumed that, in requesting Mr Al Sayegh to answer questions which he did not have time to cover during the afternoon of May 14, 1992, Senator Kerry did not intend Mr Al Sayegh to be misled about the nature and scope of those questions. If so, the submission of 65 detailed questions five days after the hearing was a blatant abuse of Mr Al Sayegh's offer to answer questions.
74. Through his counsel, Mr Al Sayegh protested in writing to the Subcommittee staff's departure from the nature of the request made at the hearing.
75. Mr Al Sayegh nonetheless prepared answers to these questions but requested a meeting with Senator Kerry at which he would submit those answers, and at which he could discuss with Senator Kerry his concern at the surprising scope of those questions. This request was refused.
76. Nevertheless, Mr Al Sayegh submitted his written answers on July 8, 1992, at the same time expressing his disappointment that his request for a meeting had been denied. In an introductory statement to the written answers, Mr Al Sayegh stated:
- "I have endeavoured to provide at least the level of detail that I could have provided at the May 14 hearing, and in numerous instances I have attempted to gather and provide information that goes beyond what would have been available to me had these questions been posed on May 14."
77. It is hard, in these circumstances, to understand the indignation with which the Report attacks the answers given by Mr Al Sayegh to the written questions. It is unfortunate that Senator Kerry did not accept Mr Al Sayegh's request for a meeting at which his written answers could have been discussed and at which Mr Al Sayegh could have been given a better understanding of the reasons why the written questions differed so much from those which he had expected to receive.
78. The unfair way in which the written questions were put to Mr Al Sayegh are then used in the Report as the basis for an astonishing, and quite illogical, conclusion. It states:
- "The answers provided by Al Sayegh highlight how much Abu Dhabi may have to hide."
79. The Report misstates, misrepresents and distorts the truth about this episode in order to reach conclusions that are damaging to the Majority Shareholders. These damaging conclusions might have been justified had the Majority Shareholders declined to give evidence. The truth, however, is different: a representative of the Majority Shareholders voluntarily came forward to give evidence to the Subcommittee as to matters about which it had said it wanted evidence; that representative agreed to accommodate the Subcommittee's timetable by agreeing to answer some remaining questions in writing; when that agreement was abused, he sought to discuss the matter with Senator Kerry but nonetheless gave answers to many of the questions. Far from receiving credit as a result of this episode, the Majority Shareholders are accused of concealment and obstruction.

Mr Al Sayegh's Credibility

80. The Report couples its assault on the evidence given by Mr Al Sayegh with an unwarranted attack on his credibility. That attack is based on unsubstantiated assertion and pure speculation.
81. At pages 583 to 585, the Report refers to allegations made by a Dr Bricker about his dealings with Mr Al Sayegh, and then suggests that Mr Al Sayegh is somehow implicated in improper transactions involving CAPCOM. Both allegations are without foundation.
82. The Report states that the day after Mr Al Sayegh gave evidence before the Subcommittee, Senator Kerry's office received a letter from Dr Bricker concerning an alleged dispute about work being carried out in 1986 by Dr Bricker's company for the Abu Dhabi National Oil Company. No details of this allegation are given. While the Report notes that it is "not possible to resolve the merits of the business dispute" between Dr Bricker and Mr Al Sayegh, it continues that Dr Bricker's statements "do raise questions about the credibility of Al Sayegh". The Report plainly assumes what is yet to be proven: that Mr Al Sayegh was guilty of dishonesty in his dealings with Dr Bricker. For the avoidance of doubt, Mr Al Sayegh denies the allegations apparently made by Dr Bricker.
83. More to the point, however, is the fact that the Subcommittee gave Mr Al Sayegh no opportunity to respond to this allegation. This is all the more surprising as it appears that the Subcommittee received Dr Bricker's letter the day after Mr Al Sayegh had given testimony to the Subcommittee and before it sent the written questions to Mr Al Sayegh. Yet, despite the fact that those questions asked Mr Al Sayegh about his business interests, the Subcommittee did not see fit to tell him that these allegations had been made. It appears that the Subcommittee instead accepted Dr Bricker's version of events without giving Mr Al Sayegh the opportunity to answer them. Mr Al Sayegh has been denied due process and, as a consequence, the Report regarding his business dealings with Dr Bricker is one-sided, biased and highly prejudicial.
84. But this is not all. This section of the Report concludes with an even more far-fetched attack. The concluding paragraph refers to the investigation carried out by Peat Marwick into CAPCOM and apparently improper transactions between CAPCOM and "individuals referred to as the Al Sayegh brothers". The Report concludes:

"The Subcommittee has not been able to determine whether the reference applies to the witness."

It does not apply to the witness; he is not one of the individuals referred to. This Senator Kerry could easily have established by asking Mr Al Sayegh.
85. Indeed, the written questions put to Mr Al Sayegh did ask about his business interests but no reference was made to this issue. Mr Al Sayegh expressly responded in writing that he had no other business interests apart from his role as a director of ADNOC. It

is quite inexplicable why the Subcommittee should have thought it proper to refer to this matter at all in his Report.

86. Finally, almost in passing, the Report insinuates that there may have been some connection between the fact that ADNOC had substantial deposits at the Grand Cayman branch of BCCI and the fact that it was there that the greatest portion of BCCI's losses and fraud occurred. This allegation makes no sense at all for it only reinforces ADNOC's ignorance of that fraud; why would ADNOC place funds at a location in which it was aware that a vast fraud was being carried out?
87. The inclusion of this reference is an invitation to the reader to infer guilt by association and is quite unwarranted; but again it is an allegation which could have been put to Mr Al Sayegh. The Report claims that the Subcommittee only obtained the Price Waterhouse report to the BCCI Audit Committee of November 10, 1988, which revealed the ADNOC deposits, after Mr Al Sayegh gave testimony. This is curious as it appears that that report was supplied to the Subcommittee in the course of evidence given by Mr Robert Bench of Price Waterhouse on February 19, 1992, three months before Mr Al Sayegh gave evidence. This appears to be yet another example of the Subcommittee denying Mr Al Sayegh the opportunity to answer uncorroborated allegations made against him and his employer.
88. The grossly unfair and biased manner in the Report has chosen to attempt to undermine Mr Al Sayegh's credibility is symptomatic of its approach towards the Majority Shareholders and Abu Dhabi generally. This unsubstantiated attack bears no relationship to the evidence given by Mr Al Sayegh, and indeed had absolutely nothing to do with the scope of the Subcommittee's inquiry. Unfortunately, the distortions, innuendo and misrepresentations in this section serve only to divert attention away from what should have been main aims of the Subcommittee's investigations.

F. MISCELLANEOUS INACCURATE AND UNJUSTIFIED ALLEGATIONS IN THE REPORT

Abu Dhabi's Losses

89. The one-sided view of the evidence presented by the Report can be clearly shown by the Report's treatment of the losses suffered by the Majority Shareholders. It refers to their losses at page 537 but, without in any way questioning that these losses have been suffered, dismisses the Majority Shareholders' statement that they are the principal victims of the BCCI affair. If this Report were an objective and fair analysis of the facts, the Report would acknowledge the scale of the Majority Shareholders' losses, including the misappropriation of some US\$2.2 billion of funds which had been entrusted by the Ruling Family to Abedi and Naqvi for management. Instead, the Report ignores this inconvenient fact.

Abu Dhabi "guarantee" of BCCI losses

90. The Report makes some vague allegations that the Majority Shareholders, in early 1990, guaranteed to make good the losses within BCCI (pages 536, 539 to 540 and 561). The Majority Shareholders never gave any unqualified commitment to make good the shortfalls within BCCI. It is fanciful to suggest that they would have agreed to give an unlimited, open-ended guarantee in respect of matters about which they knew almost nothing. Indeed, there is extensive evidence of their continued and steadfast refusal to give such an unrealistic guarantee in July 1991.

Support for Iqbal

91. The Report states that H E Mazrui had worked closely with Mr Iqbal for many years and resisted his removal as the Chief Executive Officer of the BCCI Group in the Spring of 1991 (page 567). This is pure fiction. Mr Iqbal's position was always regarded by the Majority Shareholders (and H E Mazrui in particular) as being temporary. The Majority Shareholders had commissioned management consultants and Price Waterhouse to look for suitable executives to take over the top management positions within the BCCI Group.
92. It is instructive that the only evidence for this unlikely allegation is a reference to a "Staff interview" with Masihur Rahman who is said to have been in daily contact with BCCI officials and U.S. and British regulators during the relevant period (ie. Spring 1991). This is very curious since by this time Rahman had left the employment of BCCI in acrimonious circumstances and was suing it to claim further compensation following his dismissal.

Mazrui ultimately Chairman of BCCI

93. The Report's bald assertion at page 556 that H E Mazrui ultimately became Chairman of the BCCI Board is without any basis in fact. The Majority Shareholders do not know where the Subcommittee may have got such an idea but it appears to be designed to portray H E Mazrui as having a more central role on the BCCI Board than was in fact the case. The evidence suggests, in fact, that of all the non-executive directors, H E Mazrui had the least involvement in, and knowledge of, the management of the BCCI Group.

Disclosure of Unrecorded Deposits

94. The Report asserts at page 563 that Price Waterhouse informed the Bank of England about the unrecorded deposits in January 1991. In fact, it was Mr Iqbal who informed first Price Waterhouse and then the Bank of England about the unrecorded deposits. This was done only after the Majority Shareholders insisted that Mr Iqbal take this action.

G. CONCLUSION

95. The Report's conclusions about the Majority Shareholders are incorrect. They are based largely on hearsay, and in many cases distort the available evidence beyond all recognition. Moreover, the Report suggests an animus against the Majority Shareholders that is mystifying, particularly considering the friendly relations between the United States and the UAE.

Canadian Forest Industries Council Le Conseil canadien des industries forestières

FOR IMMEDIATE RELEASE
DECEMBER 22, 1992

CONTACT: CLARE LYNAM
202/457-6382

CANADIAN GOVERNMENTS, LUMBER INDUSTRY URGE PANEL TO REJECT INJURY FINDING IN LUMBER CASE

Washington, D.C. -- Canadian governments and the Canadian lumber industry today urged a binational panel to reject the International Trade Commission's determination that imports of Canadian softwood lumber are injuring the U.S. lumber industry.

In a 175 page brief filed today, the Federal Government of Canada, certain provinces, the Canadian Forest Industries Council (CFIC) and representatives of the Quebec lumber industry said that because there is no evidence to support the ITC's final determination, the panel should remand the determination and instruct the ITC to correct its "serious deficiencies."

By a vote of 4-2, the ITC determined in June that Canadian softwood lumber exports were injuring U.S. lumber manufacturers during the period of investigation. One of the dissenters, ITC Commissioner Janet Nuzum, noted at the time that "the record does not support a determination of present injury." Earlier in the year, the U.S. Department of Commerce determined that several provincial programs provided subsidies and calculated a countervailable duty rate of 6.51 percent.

Canada is appealing both decisions to binational panels under Chapter 19 of the U.S.-Canada Free Trade Agreement.

The ITC binational panel, like the Commerce binational panel, does not have the authority to reverse the earlier decision. However, according to Tom Buell, chairman of CFIC, once the ITC takes all the facts into consideration, it will not be able to find injury, and the case will be dropped.

"Despite a complete lack of evidence -- acknowledged publicly by one of the commissioners -- the ITC ruled against Canada," Buell said. "But when the unbiased panel has completed its work, I'm confident it will support our position that there was no justification for a finding of injury."

(more)

The brief said the ITC's affirmative determination failed to address Canada's key arguments and evidence; selectively used evidence provided by the U.S. industry; failed to address central issues; and improperly relied on evidence which was not on the record.

While the U.S. maintained that Canada's imports allegedly suppressed domestic lumber prices during the period of investigation, the brief noted that lumber prices actually rose during that time, according to the ITC's own data. The Canadian market share also declined, and Canada's import volumes, which have fallen steadily since 1987, declined by more than 15 percent.

Since the ITC lacked any evidence of injurious Canadian pricing, the brief said it was forced to rely on a "theory" of price suppression inconsistent with, and unsubstantiated by, the facts on the record to determine injury. The theory, which relies on unsupported assertions about the softwood lumber market, also contradicts several legal principles.

The ITC analysis of price suppression "boils down to nothing more than the unsubstantiated assumption that the presence of any amount of imports will invariably suppress prices ... therefore, the causal link between imports and price suppression can be presumed," the brief said. "Yet, prior Chapter 19 panels and the Court of International Trade have categorically rejected the notion that price suppression can be presumed without the support of record evidence."

The brief said it was even "more remarkable" that injury was found in this case given the overwhelming record evidence -- ignored by the ITC -- demonstrating that the dramatic decline in lumber demand and increasing constraints on timber supplies entirely explained the condition of the domestic industry over the period of review.

Oral arguments on the brief filed today will be held in April. The injury binational panel is expected to announce its decision in June, 1993.

Fax numbers: All 202 area code unless otherwise indicated.

1. Journal of Commerce - John Maggs 383-6121
2. Washington Post - Stuart Auerbach 334-4407 or -5564
Peter Behr
3. NY Times - Keith Bradsher 862-0340
4. Wall Street Journal - Ms. Asra Nomani 862-9266
5. Knight-Ridder - Greg Wright 383-6198
6. Bureau of National Affairs, Int'l. Trade Reporter - Alan
Stowell 822-8092
7. Inside U.S. Trade - Alkman Granitsas 703-685-2606
8. Washington Times - Elisa Williams 832-2167
9. AP - Scott Sonner 828-6422
10. Canadian Press Wire - Laura Eggertson 728-0348
11. Reuters - Chuck Abbott 898-8383
12. Thompson Newspapers - Barbara Sweet 347-5017
13. Broadcast News Limited - Mike Omelus 728-0348
14. Financial Post - Rod McQueen 289-5475
15. Globe and Mail - John Saunders 662-7112
16. Oregonian - Alan Ota 383-7820

CALIFORNIA (Southern)

California Jewish Press
 New York Times Bureau
 Time Magazine Bureau
 City News Service
 Cable News Network
 CNBC-TV (Cons. & Bus.)
 KTTV-TV • KCAL-TV
 Radio Central News
 KFVB-AM • KNX-AM
 KBLA-AM
 J.D. Power and Associates
 Daily Commerce
 Investor's Business Daily
 The Nightly Business Report
 Visnews
 Los Angeles Daily Journal
 La Opinion
 American Banker
 Los Angeles Business Journal
 Pacific Stock Exchange
 Nikkei Weekly
 Nihon Keizai Shimbun
 Yomuri Shimbun
 Chilton Publishing
 American Metal Market
 Multichannel News
 Video Business
Craia Communications
 Advertising Age
 Autoweek
 Automotive News
 Business Insurance
 Electronic Media
 Modern Healthcare
 Pensions & Investments
Fairchild Publications
 Childrens Business
 Daily News Record
 Footwear News
 Golf Pro
 Supermarket News
 SportStyle
 Women's Wear Daily
Lebhar-Friedman Pubs.
 Drug Store News
 National Homecenter News
 Nation's Restaurant News
McGraw-Hill Publications
 Aviation Week & Space Tech.
 Business Week
Other Publications served
 Adweek
 Billboard
 Daily Variety
 Electronic News
 Hollywood News Calendar
 Speednews
 Monrovia
 News Post
 Montrose
 Foothill Leader

CALIFORNIA (Southern)

Oceanside
 Blade-Citizen
 Breeze
 Newport Beach/Costa Mesa
 Pilot
 Orange County
 Register
 OCN
 (Orange County NewsChannel)
 Today
 Business Journal
 Palm Springs
 Desert Sun
 Pasadena
 Star-News
 Rancho Santa Fe
 Times
 Riverside
 Press-Enterprise
 San Bernardino
 Sun
 San Diego
 Union-Tribune
 KNSD-TV
 KFMB-AM & FM • KFSD-FM
 KPBS-FM • KSDO-AM
 AP • UPI
 Los Angeles Times (Bureau)
 Business Journal
 Daily Transcript
 San Gabriel Valley
 Daily Tribune
 San Pedro
 News-Pilot
 Santa Barbara
 News-Press
 Santa Maria
 Times
 Santa Monica
 Outlook
 Solana Beach
 Sun • Citizen
 Vista Voice Press
 Temple City
 News
 Thousand Oaks
 News-Chronicle
 Torrance
 Daily Breeze
 Venice Marina
 News
 Ventura
 Star-Free Press
 Victorville
 Daily Press
 West LA
 Independent
 Westchester
 Observer
 Whittier
 Daily News

COLORADO

Boulder
 Camera
 Colorado Springs
 Gazette Telegraph
 Business Radio Network
 Denver
 Post
 Rocky Mountain News
 AP • Reuters
 KCNC-TV
 KOA-AM • KYGO-AM & FM
 Hart Publications
 Gulf Coast Oil World
 Mid-Continent Oil World
 Northeast Oil World
 Oil & Gas Finance Source Bk
 Oil & Gas Investor Magazine
 Southwest Oil World
 Western Oil World
Other Publications served
 Electronic News
 Multichannel News
 Petroleum Information
 Ft. Collins
 Coloradoan
 Greeley
 Daily Tribune
 Longmont
 Daily Times-Call
 Pueblo
 Chieftain

CONNECTICUT

Bridgeport
 Post-Telegram
 Danbury
 News-Times
 Hartford
 AP • Reuters
 Advocate • Courant
 WFSB-TV
 Manchester
 Journal Inquirer
 Meriden
 Record-Journal
 New Haven
 Register
 McGraw-Hill Publications
 Norwalk
 Hour
 Stamford
 Advocate • AP
 Waterbury
 American • Republican

DELAWARE

Dover
 Delaware State News • AP
 Philadelphia Inquirer Bureau
 State Capitol Newsroom
 Wilmington
 The News Journal
 WHYY-TV • WJBR-AM&FM
 WDEL-AM • WILM-AM

DISTRICT OF COLUMBIA
(For extensive Washington coverage see page 41.)

Washington Post
 Washington Times
 USA Today
 Wall Street Journal
 UPI • UPI Radio
 Gannett News Service
 States News Service
 Washington Business Journal
 Cable News Network
 ABC-Good Morning America
 Mutual Broadcasting
 NBC Radio
 NHK (Japan Broadcasting)
 Agence France-Presse
 Nikkei Weekly
 Business Publishers Inc. (60)
 Capitol Publications (69)
 Jane's Information Group (8)
 King Publishing (6)
 Pasha Publications (19)
 Phillips Publishing
 Aviation Daily
 Communications Daily
 Computer Age
 Defense Daily
 Defense News
 Defense Week
 Energy Daily
 Journal of Commerce
 Oil Daily
 U.S. News & World Report

FLORIDA

Boca Raton
 News
 Bradenton
 Herald
 Daytona Beach
 News-Journal
 Delray
 Beach News
 Ft. Myers
 News-Press
 Ft. Lauderdale
 News
 Sun-Sentinel
 Broward Review
 Gainesville
 Sun
 Jacksonville
 Florida Times-Union
 Business Journal
 Financial News & Daily Record
 Jupiter
 Courier Journal
 Lakeland
 Ledger
 Melbourne
 Florida Today

National NewsLines

FLORIDA (cont'd)

Miami
Herald • Review • Today
AP • UPI • Reuters
Dow Jones/Wall Street Journal
WCIX-TV • WTVJ-TV
WPBT-TV • WPLG-TV
WSVN-TV
Nightly Business Report
WINZ-AM & FM
WIOD-AM • WFLC-FM
Business Week Bureau
South Florida Business Journal
Naples
Daily News
Ocala
Star-Banner
Orlando
Sentinel
Florida Radio Network
Business Journal
Palm Beach
Post • Review
Pensacola
News Journal
Port St. Lucie
News
Sarasota
Herald-Tribune
Stuart
News
Tallahassee
Democrat
Tampa/St. Petersburg
St. Petersburg Times
Tampa Tribune
Tampa Bay Business Journal
Winter Haven
News Chief

GEORGIA

Albany
Herald
Athens
Banner-Herald • Daily News
Atlanta
Constitution • Journal
Gwinnett Daily News
The Atlanta Bureau
Los Angeles Times Bureau
Atlanta Business Chronicle
AP • UPI • Reuters
Dow Jones/Wall Street Journal
WSB-TV • WXIA-TV
Cable News Network
WGST-AM • WPCN-FM
WSB-AM
Georgia Radio News Service
American Banker
Business Week
Lafferty Publications
The Accountant
Bank Fin'l Mgt. Int'l
Bank Marketing Int'l
Business Banker Int'l
Cards International
Corporate Accounting Int'l

GEORGIA (cont'd)

Electronic Payments Int'l
European Accountant
European Banker
Int'l Accounting Bulletin
Private Banker Int'l
Retail Banker Int'l
Augusta
Chronicle • Herald
Columbus
Ledger-Enquirer
Gainesville
Times
Macon
Telegraph and News
Marietta
Daily Journal
Rome
News-Tribune
Savannah
Evening Press • Morning News

HAWAII

Honolulu
Advertiser • Star-Bulletin

IDAHO

Boise
Idaho Statesman
Coeur d'Alene
Press
Lewiston
Tribune

ILLINOIS

Arlington Heights
Daily Herald
Chicago
Sun-Times • Tribune
New York Times Bureau
AP • UPI • Reuters
City News Bureau
Dow Jones/Wall Street Journal
Knight-Ridder Financial News
ABC-TV • CBS-TV
NBC-TV • WBBM-TV
WCUI-TV • WFLD-TV
WGN-TV • WLS-TV
WMAQ-TV • WSNS-TV
Cable News Network
ABC Radio Network
WBBM-AM & FM • WBEZ-FM
WCKG-FM • WFMT-FM
WFYR-FM • WGCI-AM & FM
WGN-AM • WIND-AM
WLS-AM • WLUP-AM & FM
WMAQ-AM • WOJO-FM
WYAZ-FM • WYON-AM
WXRT-FM
Japan Economic Journal
American Banker
Voice of America
Telephony Magazine
Crain Communications
Fairchild Publications
McGraw-Hill Publications
Peoria
Journal Star

INDIANA

Anderson
Herald-Bulletin
Bloomington
Herald-Times
Elkhart
Truth
Evansville
Courier • Press
Fl. Wayne
Journal-Gazette
News-Sentinel
Gary
Post-Tribune
Hammond
Times
Indianapolis
News • Star
AP • UPI
WTTV-TV • WISH-TV
WRTV-TV
Business Journal
Indiana Business Magazine
Lafayette
Journal & Courier
Richmond
Palladium-Item
South Bend
Tribune
Terre Haute
Tribune-Star

IOWA

Cedar Falls
Futures World News
Cedar Rapids
Gazette
Des Moines
Register

KANSAS

Wichita
Eagle-Beacon

KENTUCKY

Bowling Green
Daily News
Covington
Kentucky Post
Lexington
Herald-Leader
Louisville
Courier-Journal
AP • UPI
Kentucky Radio Network
Owensboro
Messenger-Inquirer
Paducah
Sun

LOUISIANA

Baton Rouge
Advocate • State-Times
Louisiana Radio Network
Lafayette
Advertiser
Lake Charles
American Press
Monroe
News-Star-World
New Orleans
Times Picayune
AP • UPI • Reuters • Dow Jones
Shreveport
Times

MAINE

Bangor
Daily News
Portland
Press Herald

MARYLAND

Annapolis
Capital
Baltimore
Sun • Evening Sun
Daily Record • AP • UPI
WBAL-AM • WLIF-AM & FM
WBAL-TV • WJZ-TV • WMAR-TV
Frederick
News-Post
Greenbelt
WPGC-AM
(Business Radio Network)
Hagerstown
Herald & Daily Mail
Morning Herald
Prince George's County
Journal
Rockville
Montgomery Journal • NASD

MASSACHUSETTS

Boston
Globe • Herald
AP • UPI • Reuters
Dow Jones/Wall Street Journal
Christian Science Monitor
WBZ-TV • WCYB-TV
WBZ-AM • WEEI-AM
WHDH-AM • WRKO-AM
IDG News Network
IDG: Digital News
Business Journal
Fairchild Publications
Sportstyte
Footwear
McGraw-Hill Publications
Business Week
Pennwell Publishing
Computer Digest
Computer Graphics World
Networking Management
Solid State Tech
Type World

MASSACHUSETTS (cont'd)

Brockton
Enterprise
Framingham
Middlesex News
IGD: Computerworld
Hyannis
Cape Cod Times
Lawrence
Eagle-Tribune
Lowell
Sun
New Bedford
Standard-Times
Newton
Cahners Publications:
Biotechnology Week
Business Research Group
CPI Purchasing
Datamation
Design News
Digital Review
EDN
EDN News
Electronic Business
Electronic Business/Asia
Electronics Purchasing
Industrial Distribution
Modern Materials Handling
Plastics World
Purchasing
SAIL
Systems Integration
Test & Measurement World
Traffic Management
Quincy
Patriot Ledger
Salem
Evening News
Springfield
Union-News
Worcester
Telegram & Gazette

MICHIGAN

Ann Arbor
News
Bay City
Times
Detroit
The Detroit Free Press
The Detroit News
Troy-Somerset Gazette
Flint Journal
Mount Clemens Macomb Daily
Pontiac Press
Royal Oak Daily Tribune
Heritage Newspapers
Observer & Eccentric
Newspapers
Monday Morning Newspapers
The Detroit Bureau
Booth Newspapers Bureau
Chicago Tribune Bureau
Los Angeles Times Bureau
New York Times Bureau

MICHIGAN (cont'd)

Newsweek Bureau
Time Bureau
USA Today Bureau
AP • UPI
Dow Jones/Wall Street Journal
Reuters
Cable News Network
WDIV-TV • WGPR-TV
WJBK-TV • WKBD-TV
WXYZ-TV • WMXD-AM
WCSX-FM • WDET-FM
WGPR-FM • WJLB-FM
WJOL-FM • WJR-AM
WNIC-AM & FM • WOMC-FM
WWJ-AM • WWWW-FM
WXYZ-AM
Crain's Detroit Business
Detroit Press Club
Automotive Industries
Automotive News
McGraw-Hill Publications
Ward's Automotive Pubs.
Motor Trend
Road & Track
Grand Rapids
Press • WOTV-TV
Gemini Publications
Jackson
Citizen Patriot
Kalamazoo
Gazette • WMYT-TV
Lansing
State Journal
Capitol News Bureau
Muskegon
Chronicle
Saginaw
News

MINNESOTA

Minneapolis/St. Paul
Star Tribune
St. Paul Pioneer Press
AP • UPI
Dow Jones • Reuters
KARE-TV • KMSP-TV
WCCO-TV • KSTP-TV
KNOW-FM • KSJN-FM
KLOM-AM • WCCO-AM
Minnesota News Network
(64 Radio Stations)
CityBusiness
Finance & Commerce
Skyway/Freeway News

MISSISSIPPI

Jackson
Clarion Ledger
Tupelo
Northeast Mississippi Daily
Journal

MISSOURI

Kansas City
Star • AP
Knight-Ridder
St. Louis
Post-Dispatch

MONTANA

Billings
Gazette

NEBRASKA

Omaha
World-Herald

NEVADA

Las Vegas
Review-Journal
Sun • UPI
Reno
Gazette-Journal

NEW HAMPSHIRE

Concord
AP
Manchester
Union Leader
Nashua
Telegraph
Peterborough
Byte Magazine

NEW JERSEY

Asbury Park
Press
Atlantic City
Press
Bridgewater
Courier-News
Camden
Courier-Post
Fort Lee
CNBC
Hackensack
Record
Jersey City
Jersey Journal
Morristown/Paralippany
Daily Record
New Brunswick
Central New Jersey Home
News
Newark
AP • Star-Ledger
Toms River
Ocean County Observer
Trenton
Times • Trentonian • UPI
New Jersey Network
Willingboro
Burlington County Times
Woodbridge
News-Tribune
Woodbury
Gloucester County Times • AP

NEW MEXICO

Albuquerque
Journal • Tribune
Santa Fe
New Mexican

NEW YORK

Albany
Times-Union
AP • UPI
Binghamton
Press & Sun-Bulletin
Buffalo
News
Elmira
Star-Gazette
Mamaroneck
Daily Times
Mt. Vernon
Daily Argus
New York City
Times
Daily News
Newsday
Post
Wall Street Journal
Journal of Commerce
Investor's Business Daily
Los Angeles Times Bureau
Dow Jones • Reuters
AP • UPI
AFX News Service
Bloomberg News Service
Fitch Investors Service
Moody's Investors Service
Standard & Poor's
S&P MarketScope
Knight-Ridder Financial
Manufacture News Wire
Market News Service
Black Press Service
Cable News Network
WABC-TV • WNBC-TV
WCBS-AM
CBS Radio Network
Black Radio Network
American Stock Exchange
National Association of
Securities Dealers
New York Stock Exchange
Asahi Shimbun
Dempa Shimbun
EFE Spanish News Agency
Financial Times of London
German Economic News
German Press Agency
International Herald Tribune
NHK (Japan Broadcasting Co.)
Nikkei Weekly
Jiji Press
Kyodo News Service
Nihon Keizai Shimbun
Nikkan Kogyo Shimbun
Sangyo Press
Xinhua News Agency
Yomiuri Shimbun



National NewsLines

NEW YORK (cont'd)

CMP Publications
Fairchild Publications
Gralla Publications
Lebhar-Friedman
McGraw-Hill Publications
American Banker
Banking Week
Barron's
Bond Buyer
Bond World
Business Week
Crain's New York Business
Equities
Financial World
Fortune
Institutional Investor
Investment Dealers' Digest
Money
Advertising Age
Adweek
American Metal Market
CPI Equipment Reports
Chain Drug Review
Chemical Engineering
Chemical Marketing Reporter
Chemical Week
Communications Daily
Frequent Flyer
Mass Market Retailers
Maxwell's Official Airline Guide
Metal Bulletin
National Mail Monitor
PC Magazine
Platt's Oil Gram News
Racher Press
Television Digest
TWICE
Travel Age East
Travel Agent
Travel Management Daily
Weekly Insider
New Rochelle
Standard-Star
Niagara Falls
Gazette
Nyack
Rockland Journal-News
Ossining
Citizen-Register
Peekskill
Star
Poughkeepsie
Journal
Rochester
Democrat & Chronicle
Times-Union
Staten Island
Advance
Schenectady
Gazette
Syracuse
Post-Standard
Herald Journal

NEW YORK (cont'd)

Tarrytown
Daily News
Luca
Observer-Dispatch
Watertown
Daily Times
White Plains
Reporter-Dispatch
Yonkers
Herald Statesman

NORTH CAROLINA

Chapel Hill
International Oil News
Petrochemical News
Charlotte
Observer • Business Journal
WBTV • WCNC-TV
WSOC-TV
Durham
Herald-Sun
Gastonia
Gaston Gazette
Greensboro
News & Record
Triad Business
WFMY-TV
Hickory
Daily Record
High Point
Enterprise • WGHP-TV
Raleigh
News & Observer • AP
North Carolina News Network
WRAL-FM • WRAL-TV
Wilmington
Morning Star
Winston-Salem
Journal

OHIO

Akron
Beacon Journal
WAKR-AM • WONE-FM
WAKC-TV
Plastic News
Rubber & Plastic News
Canton
Repository
Cincinnati
Enquirer • Post • AP
Business Courier
Business Record
Kentucky Post
Press Community Newspapers
WCPO-TV • WKRC-TV
WLWT-TV • WLW-AM
WGUC-FM • WYXL-FM
WKRC-AM/WKRU-FM
WCKY-AM

OHIO (cont'd)

Cleveland
Plain Dealer • Call & Post
Sun Newspapers • AP
Crain's Cleveland Business
WEWS-TV • WJW-TV
WKYC-TV • WUAB-TV
WGAR-FM • WRMR-AM
WCPN-FM • WCLV-FM
WDOK-FM • WERE-AM
WHK-AM • WJMO-FM
WKNR-AM • WMJI-FM
WMMS-FM • WNCX-FM
WLTF-FM • WWWF-AM
WZAK-FM
Corporate Cleveland Magazine
Cleveland Magazine
McGraw-Hill Publications
Penton Publishing (40 pubs.)
Portfolio
Columbus
Dispatch • AP • UPI
Business First
WBNS-TV • WCMH-TV
WSYX-TV • WTVN-AM
Dayton
Daily News
WDTN-TV • WHIO-TV
WKEF-TV
WHIO-AM/WHKO-FM
Elyria
Chronicle Telegram
Hamilton
Journal News
Keel
WKSU-FM
Lima
News
Lorain
Journal
Mansfield
News Journal
Massillon
Evening Independent
Medina
County Gazette
Sandusky
Register
Springfield
News-Sun
Steubenville
WTOV-TV
Toledo
Blade • UPI
WNWO-TV • WTOL-TV
WTVG-TV
Business Journal
Warren
Tribune Chronicle
Willoughby/Lake County
News-Herald
Business Review
The Lake County Business Jnl
Youngstown
Vindicator
WFMY-TV • WABN-TV
WYTY-TV

OKLAHOMA

Oklahoma City
Daily Oklahoman-Times
In-depth Digest
Tulsa
World
Tribune
OREGON
Eugene
Register-Guard
Portland
Oregonian • AP • KAL-AM
KATU-TV • KGW-TV
KOIN-TV • KPTV-TV
KEX-AM • KINK-FM
Daily Journal of Commerce
Northwest News Network
Business Journal
Salem
Statesman-Journal • LPI

PENNSYLVANIA

Allentown
Morning Call
WFMY-TV • WFMZ-FM
Allentown
Mirror • WTAJ-TV
Beaver County
Times
Bloomsburg
Press-Enterprise
NE Penn. Business Journal
Butler
County News • Eagle
Doylestown
Intelligencer/Record
Easton
Express-Times
Erle
Morning News • Times
WJET-TV • WSEE-TV
FL. Washington
Today's Spirit
Montgomery Newspaper Group
Greensburg
Tribune-Review
Harrisburg
Patriot • Evening News
State Capitol Newsroom
WHP-TV • WHTM-TV
WHP-AM-FM
Hazleton
Standard-Speaker
Johnstown
Tribune-Democrat
Lancaster
Intelligencer Journal
New Era • WGAL-TV
Lansdale
Reporter
Lebanon
WLYH-TV
Levittown/Bristol
Bucks County Courier-Times
Lewistown
Outlines

PENNSYLVANIA (cont'd)

McKeesport
Daily News
Moonik
WNEP-TV
Norristown
Times Herald
North Hills
News Record
Paoli
Autofacts
Philadelphia
Daily News • Inquirer
Tribune • AP • UPI • Reuters
KYW-TV • WCAU-TV
WPVI-TV • WTXF-TV
KYW-AM • WDAS-FM
WHYY-FM • WMGM-FM
WPEN-AM • WWDB-FM
WISL-FM
New York Times Bureau
City Hall Newsroom
Dun & Bradstreet
Business Week
Philadelphia Business Journal
Philadelphia Stock Exchange
Shadow Traffic/Aletro Traffic
Fairchild Pubs. (10 pubs.)
Pittsburgh
Post-Gazette
Press
AP • UPI • Reuters
Dow Jones/Wall Street Journal
NDAA-TV • WPXI-TV
WTAE-TV
KDKA-AM • KOY-AM
WJZ-AM/WAMO-FM
WDSY-FM • WEEP-AM
WLTJ-FM • WTAE-AM
WWSW-AM & FM
Sheridan Broadcasting Network
Business Times
Business Week
American Metal Market
Iron Age
Fairchild Publications
McGraw-Hill Publications
Pottstown
Mercury
Primos/Chester
Delaware County Daily Times
Reading
Eagle & Times
Scranton
Tribune • Times
Sharpsburg
Herald
State College
Centre Daily Times
Tarentum
Valley News-Dispatch
Uniontown
Herald-Standard
Washington
Observer-Reporter
West Chester
Daily Local News

PENNSYLVANIA (cont'd)

Wilkes-Barre
Citizens' Voice • Times Leader
York
Daily Record • Dispatch
WSRA-AM

RHODE ISLAND

Providence
Bulletin • Journal

SOUTH CAROLINA

Charleston
Post & Courier
Columbia
State • AP
Florence
Morning News
Greenville
Piedmont • News
WYFF-TV
Myrtle Beach
Sun News
Rock Hill
Herald
Spartanburg
Herald-Journal

TENNESSEE

Chattanooga
News-Free Press • Times
Jackson
Sun
Johnson City
Press
Kingsport
Times-News
Knoxville
News-Sentinel
Memphis
Commercial Appeal
Business Journal
Nashville
Banner • Tennessean
Business Journal
Oak Ridge
Oak Ridger

TEXAS

Amarillo
Globe-Times
Austin
American-Statesman
KVUE-TV • KOKE-AM
Austin Business Journal
Corpus Christi
Callier-Times
Dallas
Morning News
DFW People
New York Times
Suburban Daily News
AP • UPI • Reuters
Dow Jones/Wall Street Journal
KDFW-TV • WFAA-TV
KTVT-TV • KXAS-TV
Cable News Network

TEXAS (cont'd)

KRLD-AM • KVII-FM
Texas State Radio Network
Advertising Age
Adweek
American Banker
Barron's
Business Press
Business Week
Daily Commercial Record
Business Journal
Fairchild Publications
McGraw-Hill Publications
The Texas Lawyer
El Paso
Times
Fort Worth
Star-Telegram
Mid-Cities Daily News
KXAS-TV
WBAP-AM • KSCS-FM
KLIF-AM • KPLX-FM
Garland
Daily News
Grand Prairie
Daily News
Houston
Chronicle • Post
AP • UPI • Reuters
Dow Jones
KPRC-TV • KHOU-TV
NBC News Bureau
KPRC-AM
The Energy Report
Fairchild Publications
Houston Business Journal
Japan Economic Journal
McGraw-Hill Publications
Gas Daily
Gulf Publishing Co.
Inside Gas Markets
The Morning Report
Offshore Data Services
Oil and Gas Journal
Oil Daily
Ocean Oil Weekly
Petroleum Information
Platt's Oil Gram
Irving
Daily News
Lubbock
Avalanche Journal
Midland
Reporter Telegram
Piano
Star-Courier
Richardson
Daily News
San Angelo
Standard Times
San Antonio
Light • Express News
Business Journal
KENS-TV • WOAI
Tyler
Morning Telegraph
Waco
Tribune-Herald

UTAH

Salt Lake City
Deseret News • Tribune

VERMONT

Burlington
Free Press
Rutland
Herald

VIRGINIA

Charlottesville
SNL Securities
Newport News
Daily Press
Norfolk
Virginian-Pilot
Richmond
Times-Dispatch • News-Leader
AP • UPI
Financial Weekly
Virginia News Network
Roanoke
Times & World-News
Springfield
Defense News
Journal Newspapers

WASHINGTON

Bellevue
Journal American
Bellingham
Herald
Bremerton
Sun
Everett
Herald
Kent
Valley Daily News
Longview
Daily News
Olympia
The Olympian/USA Today
Pasco
Tri-City Herald
Seattle/Puget Sound
Post-Intelligencer • Times
AP • UPI • Reuters
Business Week Bureau
KING-TV • KIRO-TV
KOMO-TV • KSTW-TV
KIRO-AM • KMPS-AM & FM
KOMO-AM • KSEA-FM
Asia Pacific Journal
Daily Journal of Commerce
Marples Business Newsletter
Puget Sound Business Journal
Washington CEO
Spokane
Spokesman-Review/Chronicle
AP
KHO-TV • KREM-TV
KXLY-TV • KXLY-AM
KSBN-AM
Journal of Business
Tacoma
Morning News Tribune

National NewsLines

WASHINGTON (cont'd)

Vancouver
Columbia
Walla Walla
Union-Bulletin
Wenatchee
World
Yakima
Herald-Republic

WEST VIRGINIA

Beckley
Register-Herald
Bluefield
WVVA-TV
Charleston
AP • WCHS-TV.
Daily Mail • Gazette
Clarksburg
Exponent • Telegram
WBOY-TV
Huntington
Herald-Dispatch • WOWK-TV
Martinsburg
Journal
Morgantown
Dominion-Post
Metro News Radio Network
Oak Hill
WOAY-TV
Parkersburg
News • Sentinel
Wheeling
Intelligencer • News-Register
WTRF-TV
WQVK-FM • WWVA-AM

WISCONSIN

Appleton
Post-Crescent
Green Bay
Press-Gazette
News Chronicle
LaCrosse
Tribune
Madison
Capital Times • State Journal
UPI • Wisconsin Radio Network
Milwaukee
Journal • Sentinel
Daily Reporter • AP • UPI
WISN-TV • WITI-TV • WTMJ-TV
WOKY-AM/WML-FM
WTMJ-AM/WKTI-FM
Business Journal
Community Newspapers
Oshkosh
Northwestern
Racine
Journal Times
Sheboygan
The Press

WYOMING

Cheyenne
Wyoming Eagle-State Tribune

The following Business, Trade and Special Interest Publications receive all appropriate news releases transmitted on PR Newswire. These points are included at no additional charge with all US1 distributions.

Advertising/Marketing

Advertising Age
Adweek
Green Marketing Report
Premium/Incentive Business

Aerospace/Aviation

Aerospace Daily
Aerospace Electronic Business
Aerospace Review
Air Transport World
Airports
Aviation Daily
Aviation International
Aviation Ground Equip. Market
Aviation Production Eng.
Aviation Times
Aviation Week & Space Tech.
Avionics
Bus. & Commercial Aviation
Defense Aerospace Bus. Digest
Helicopter News
Interavia Aerospace Review
Interavia Air Letter
International Aviation
Jane's Airport Review
Military Space
Regional Aviation Weekly
Space Business News
Space Commerce Bulletin
Space Markets
Space Station News
Speednews
The Weekly of Bus. Aviation
World Aviation Directory

Automotive/Transportation

Automotive Electronics Journal
Automotive Industries
Automotive News
Commercial Carrier Journal
Crain's Tire Business
Motor/Age
Motor Trend
Owner Operator
Power Transmission Design
Road & Track
Urban Transport News
Ward's Auto World
Ward's Automotive Reports
Ward's Engine Update

Building/Engineering

Architectural Record
Construction Claims Monthly
Construction Data & News
Contract
Daily Pacific Builder
Dodge Construction News
ENR
Int'l Construction Week
Interiors
Kitchen & Bath Business
Multi-Housing News
National Home Center News
The Daily Journal

Business and Finance

American Banker
American Marketplace
Atlanta Business Chronicle
Bank Letter
Bank Loan Report
Bank Systems & Technology
Banker & Tradesman
Banking Week
Barron's
Bond Buyer
Bond World
Boston Business Journal
Branch Automation News
Branch Manager
Business Week
Card News
Charlotte Business Journal
Cincinnati Business Courier
Cincinnati Business Reporter
Columbus Business First
Corporate EFT News
Corporate Financing Week
Crain's New York Business
Crain's Cleveland Business
Crain's Detroit Business
Dowline
EFT Report
Equities
Fair Employment Report
Finance & Commerce
Financial News & Daily Record
Financial Services Report
Financial Services Week
Financial Times of London
Financial Weekly
Financial World
Fitch Investors Service
Forecasts & Strategies
Fortune

German Economic News Serv.
Going Public: The IPO Reporter
Hartford Business Journal
Indianapolis Business Journal
Industry Week
Institutional Investor
Investment Dealers' Digest
Investor's Business Daily
Item Processing Report
Jacksonville Business Journal
Japan Economic Journal
Journal of Commerce
Journal of Retail Banking
Los Angeles Business Journal
Louisville Business First
Memphis Business Journal
Mergers & Acquisitions Report
Middle-Market Focus
Milwaukee Business Journal
Money
Money Management Letter
Moody's Investors Service
Mortgage-Backed Securities Lit
Nashville Business Journal
Orange County (CA) Bus. Jnl
Orlando Business Journal
Private Placement Letter
Puget Sound Business Journal
S&P Compustat
S&P Daily News Online
S&P MarketScope
San Diego Business Journal
San Diego Daily Transcript
San Francisco Business Times
San Jose Business Journal
SNL Securities
Securities Trader's Monthly
Securities Week
Securities International
Spokane Journal of Business
Standard & Poor's
The Southern Banker
The World Bank Watch
Toledo Business Journal
Triad Business
Triangle Business
Wall Street Journal
Washington Business Journal



Electrical/Electronics

Architectural Lighting
Circuits Assembly
Electronic Component News
Electronic Design
Electronic Marketing News
Electronics
Electric Utility Week
Electrical World
Fiber Optics News

Chemicals/Plastics

Chemical Business
Chemical Engineering
Chemical & Engineering News
Chemical Marketing Reporter
Chemical Week
Modern Plastics
PetroChemical News
Plastics and The Environment
Plastics and Packaging
Plastics News
Plastics Week
Rubber & Plastic News

Defense

Advanced Military Computing
C4I Report
Defense Cleanup
Defense Daily
Defense Industry Report
Defense Marketing Int'l
Defense News
Defense Plant Waste News
Defense Technology Business
Defense Week
International Defense Review
Jane's Defense Weekly
Jane's NATO Report
Navy News and Undersea Tech
Report on Def. Plant Wastes
SDI Intelligence Report
SDI Monitor
Soviet Intelligence Review

Entertainment/Broadcasting

American Film
Amusement Business
Audio Week
Billboard
Communications Daily
DBS News
Hollywood News Calendar
Hollywood Reporter
Millimeter
Mobile Satellite Report
Optical & Magnetic Report
Public Broadcasting Report
Satellite News
Satellite Week
Television Digest With
Consumer Electronics
Variety
Via Satellite
Video Technology Newsletter
Video Week

Environmental

Air Toxics Report
Air/Water Pollution Report
Asbestos Control Report
Clean Water Report
Environmental Health News
Environmental Liability Mon.
Greenhouse Effect Report
Ground Water Monitor
Hazardous Waste Business
Hazardous Waste News
HazTech News
Multinational Environmental
Outlook
Nuclear Waste News
Sludge
Solid Waste Report
State Environment Report
Superfund
Toxic Materials News
Toxic Materials Transport

Food

Baking & Snack Systems
Baking Buyer
Milling & Baking News
Food Engineering
Food Engineering International
World Grain

Health/Medicine

Biotechnology Newswatch
Contact Lens Forum
Cardio
Diagnostic Imaging
Diagnostic Imaging Int'l
Health Care Competition Week
Health Grants & Contracts
Health Week
Hospital Patient Rel. Report
Managed Care Law Outlook
Managed Care Outlook
Medical Liability Advisory
Medical World News
Medical Waste News
Mental Health Law Report
Mental Health Report
Nursing Recruitment & Ret.
Ophthalmology Management
Optometric Management
Physician's Financial News
Postgraduate Medicine
Review Of Optometry
Senior Patient

High Technology

AI Expert
Asian Electronic Union
Australian Personal Computer
BOC Week
Byte
Byte Weekly
C3I
Circuit Design
Circuits Manufacturing
Comm. Engineering & Design
Communications Daily

Communications Week

Communications Week Int'l
Computable
Compute!
Compute's Gazette
Computer Age-EDP Weekly
Computer-Aided Engineering
Computer Design
Computer Design News
Computer Graphics News
Computer Language
Computer Reseller News
Computer Systems News
Computer Weekly
Computers in Banking
Computerworld
Computing Australia
Data Communications
Data Entry Awareness Report
Data News
Database Products Reports
Database Programming & Dev.
Datacom
Datapro Comm. Perspective
Dataquest
DBMS
DEC User
Dempa Digest
Digital News
Digital Review
Dist. Processing Product News
Dr. Dobb's Journal
EDI News
Education Computer News
Electronic Buyers' News
Elect. Buyers' News Handbook
Electronic Engineering Times
Electronic Media
Electronic Messaging News
Electronic News
Electronica Oggi
Electronics Test
Elect. Trade & Transport News
Electronics Weekly
Electronic World News
Embedded Syst. Programming
EOS/ESD Technology
Federal Computer Week
FCC Week
Firstaxis
Gartner Group
Graphic Detail
Government Computer News
IBM Computer Today
IDG News Network
Informatique Hebdo
Infoworld
Insurance Software Review
Intelligent Network News
International Data Corp.
ISDN News
Journal Of Electronic Eng.
Journal Of Electronics Industry
LAN Magazine
LAN Technology
Laser Focus World

Laser Report

MacWeek
MII Info
Military Fiber Optic News
Mobile Phone News
Modern Office Technology
Multichannel News
Network Computing
Network Management Systems
Network World
Netline
Officeation Product Reviews
OSI Prod. and Equipment News
PC+
PC Dealer
PC Magazine
PC Week
Packaged Software
Personal Workstation
Perspective
Printed Circuit Fabrication
Report on AT&T
Report on IBM
Retailing Tech. & Operations
Satellite News
SNA Communications Report
Software Industry Report
State Telephone Reg. Report
Systems Integration
Business & Marketing
Telecom Market Letter
Telecom Strategy Letter
Telephone News
Telephony
Training Electronics
Tribuna Informatica
UNIX Review
UNIX Today
UNIX World
VAR Business
Voice Technology News
Wall Street Computer Review

Industrial/Design

Automation
Industrial Maintenance
& Plant Operation
Machine Design
Material Handling Engineering
Materials Engineering
New Equipment Digest
Performance Materials
Product Design & Development

Jewelry

American Jewelry Manu.
Jewelers' Circular-Keystone
National Jeweler

National NewsLines

Mining/Metals

33 Metal Producing
 American Machinist
 American Metal Market
 Casting Design & Application
 Coal Outlook
 Coal Statistics International
 Coal Week
 Coal Week International
 Foundry Management & Tech.
 Heat Treating
 Iron Age
 Metal Center News
 Metals Week
 Mine Regulation Reporter
 Welding Design & Fabrication
 Welding Distributor

Oil/Energy

Coal & Synfuels Technology
 Electric Utility Week
 Energy User News
 Fusion Power Report
 Gas Buyers' Guide
 Gas Daily
 Gulf Coast Oil World
 Inside Energy With Fed. Lands
 International Oil News
 International Solar Energy
 Intelligence Report
 Natural Gas Marketing
 Northeast Oil World
 Northeast Power Report
 Nuclear Fuel
 Ocean Oil Weekly Report
 Offshore
 Offshore Gas Report
 Oil & Gas Journal
 Oil & Gas Investor
 Oil, Gas & Petro. Equipment
 Oilgram News
 Platt's News Service & Pubs
 Power
 Power Engineering
 Southwest Oil World
 The Energy Report
 The PT Distributor
 U.S. Oil Week
 Western Oil Week

Real Estate/

Building Maintenance
 Commercial Property News
 Commercial Record
 Facilities Design & Mgt.

Restaurants/Food Service

Nation's Restaurant News
 Restaurant Hospitality
 The Foodservice Distributor

Retailing

Chain Drug Review
 Chain Store Age Executive
 Discount Store News
 Drug Store News
 Garden Supply Retailer
 Gift & Stationery Business
 HFD Weekly Home Furnishings
 Hardware Age
 Home Fashions Magazine
 Inside Retailing Newsletter
 Mass Market Retailers
 Retailing Tech. & Operations
 Supermarket News

Safety

Emergency Preparedness News
 Industrial Safety & Hygiene
 Occupational Hazards
 Occupational Health & Safety

Schools/Education

Business Education World
 Education Daily
 Education Monitor
 Education of the Disadvantaged
 Education of the Handicapped
 Nation's Schools Report
 Preschool Perspectives
 Report on Education of the
 Disadvantaged
 Report on Education Research
 Report on Preschool Programs
 School and College
 School Child Care Report
 School Law News
 School Tech News
 Student Aid News
 Vocational Training News

Sports/Recreation

Action Sports Retailer
 Golf Pro Merchandiser
 Outdoor Retailer
 Sporting Goods Business
 Sportstyle
 Tennis Merchandiser

Textiles/Apparel

Apparel Merchandising
 Children's Business
 Daily News Record
 FN Magazine
 Footwear News
 Home Textiles International
 Impressions Magazine
 Nonwovens World
 M
 Women's Wear Daily
 W

Travel/Tourism

Business Travel News
 Corporate Travel
 Lodging Hospitality
 Meeting News
 Resorts & Incentives
 Tour & Travel News
 Travel Agents Market Place
 Travel Management Daily
 Travel People
 Travelage Caribbean
 Travelage East
 Travelage Europe
 Travelage Midamerica
 Travelage West

Wood/Paper

Forest Industries
 Pulp & Paper
 Pulp & Paper International
 Pulp & Paper Week
 World Wood

NATIONAL AFFAIRS NEWSLINE

Washington, D.C.

National/

Washington Newspapers

Washington Post
Washington Times
New York Times
Wall Street Journal
USA Today
Journal Newspapers

Wire Services

Associated Press
United Press International
Reuters
Dow Jones
Kyodo News Service
Agencia EFE
Agence France-Presse

News Weeklies

U.S. News and World Report
Time Magazine
Business Week
Newsweek

Newspaper Bureaus

Baltimore Sun/Evening Sun
Boston Globe
Boston Herald
Buffalo News
Chicago Sun-Times
Chicago Tribune
Cleveland Plain Dealer
Dallas Morning News
Denver Post
Des Moines Register
Detroit News
Houston Chronicle
Houston Post
Los Angeles Times
Milwaukee Journal
Minneapolis Star-Tribune
New York Newsday
New York Daily News
New York Post
Orlando Sentinel
Providence Journal
San Francisco Chronicle
San Francisco Examiner
Seattle Times
St. Louis Post-Dispatch
St. Petersburg Times

Newspaper News Services (serving 700+ dailies)

Cox
Donrey Media Group
Gannett
Hearst
Knight-Ridder
Media General
Newhouse Newspapers
Ottaway Newspapers
Scripps-Howard
States News Service
Tribune Newspapers
Thomson Newspapers

National Broadcast Networks Radio

ABC
CBS
NBC/Mutual Broadcasting
National Public Radio
Unistar
Business Radio Network
AP Radio
UPI Radio

Television

ABC
CBS
NBC
CNN
C-Span
Fox
Good Morning America

Washington Television and Radio

WRC-TV
WJLA-TV
WTTG-TV
WUSA-TV
WTOP-Radio
WMAL-Radio
WPGC-Radio

Special Publications

Bureau of National Affairs
McGraw-Hill Publications
Journal of Commerce
Commerce Clearing House
Capitol Publications
Japan Economic Journal
Defense Week
Defense Daily
Washington Business Journal
Financial World Publications
King Publishing Group
AFL-CIO News
Army Times
Navy Times
Air Force Times
Federal Times
Press Associates-
Labor News Service

CANADIAN FOREST
INDUSTRIES COUNCIL

1/8/93

#8

Free Trade Year Four

ONE STEP FORWARD?

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Strategic Advice to Business on Public Policies

About the Authors

This report has been prepared by Strategico Inc., a private consulting firm advising international business on public policies in Canada and abroad. Clients include the leading firms in most sectors of Canadian business and finance. The company has offices in Ottawa and Montreal.

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One Step Forward?

December 1992

Strategico Inc.

Nineteen-ninety-two may prove to have been free trade's year of calm before the storm as

- a number of major trade disputes with the United States will not be resolved before the middle of next year;
- the North American Free Trade Agreement (NAFTA) has been signed but the implementing legislation will not be introduced until next year;
- the GATT round of multilateral trade negotiations (MTNs) is on track for an agreement next year;
- finally, the Canadian electorate will have their opportunity to pronounce on these issues in the general election which may come as early as next Spring.

This fourth annual Strategico Report reviews the year's developments and sketches the free trade agenda for the year to come.

Impact of the FTA

The economic impact of the FTA continues to be swamped by the prolonged recession. Solid evidence on the impact of the FTA itself is starting to come in, but the issue remains highly controversial.

Inside:

- Implementation of the Canada-USA FTA
- North American Free Trade Agreement
- Multilateral Trade Negotiations
- 1993: Decision Time
- Conclusions

There is no dispute that the last few years since the FTA have been years of severe hardship for many Canadians. The economy shrank measurably in 1990 and 1991 and has failed fully to regain the lost ground. More than 1,600,000 Canadians are without work. Many have been permanently laid off. Many more have been unable to find work in 12 months of searching. Many others have become discouraged and dropped out of the work force entirely.

Hardest hit has been the manufacturing sector. Employment in this sector has been shrinking in importance for nearly two decades. The past two years have seen cutbacks unprecedented since the Great Depression.

It may be politically irresistible to attribute these terrible human consequences to the FTA. From there it is only a step to conclude that these problems would all disappear with the abrogation of the FTA. The truth is more complex.

Direct FTA Impact

We now have full statistics for the first three years of free trade, covering 1989 through 1991 as well as partial data for 1992. This evidence has not for a moment stopped critics from castigating the FTA¹ and government supporters from making equally exaggerated claims of success.² In most instances, the statistics themselves are unexceptionable—it is the interpretations that are misleading.³ The interested citizen is left to her own devices to sort out the truth.

What is the best test to determine whether the FTA is working to Canada's benefit? The FTA did not, obviously, affect the entire economy with equal force. It liberalized trade in many goods with the United States. Most exports and imports of goods already faced no customs duties prior to the FTA—the FTA reduced or eliminated tariffs on the remainder. It also froze the rules for trade in services, to prevent further restrictions in the future. The FTA must presumably be working as planned if the facts show that:

- exports to the USA have increased more than imports and more than exports to other countries;

- the biggest gains have come in those sectors which were directly liberalized by the FTA;
- the higher value-added sectors have gained even more than the resources products; *and*
- there has been some increase in exports and imports of services liberalized by the FTA.

This is precisely what has been found by the independent C.D. Howe Institute, one of Canada's leading economic research bodies. Specifically, the study⁴ found that over the 1989 to 1991 period:

- Despite slower growth in the USA than in other markets, and a sharp increase in the value of the Canadian dollar relative to the American, Canada's merchandise exports to the USA rose by 4 per cent, compared to imports from the USA at 0.3 per cent, and compared with exports to Europe which increased at 0.6 per cent and exports to Japan which *shrank* by 18.9 per cent.
- The biggest gains came in exports of merchandise directly liberalized by the FTA increasing by 16.2 per cent over the period while exports in sectors not previously liberalized actually decreased by 2.2 per cent.

¹ Cf. Bruce Campbell, A Critique of "The Global Trade Challenge" A Tory Trade Tabloid, The Canadian Centre for Policy Alternatives, October 1992.

² Government of Canada, The Global Trade Challenge.

³ Seasonalized data are matched with non-seasonalized, constant dollars with current trade accounts confused—by both sides in the debate.

⁴ Daniel Schwanen, Were the Optimists Wrong on Free Trade?, C.D. Howe Institute *Commentary*, No. 37, October 1992.

Chart 1
Canadian Exports — % Increase 1989-91

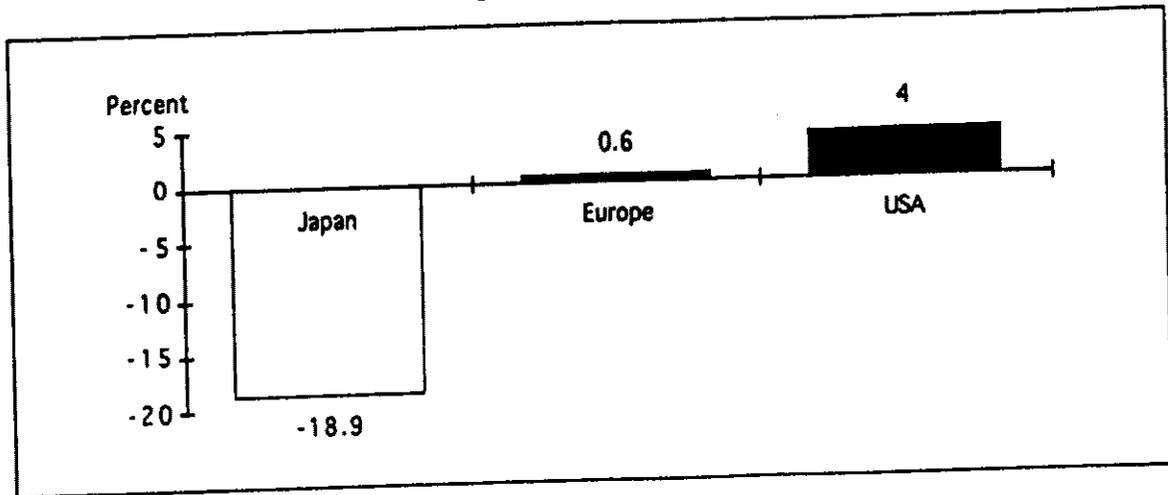
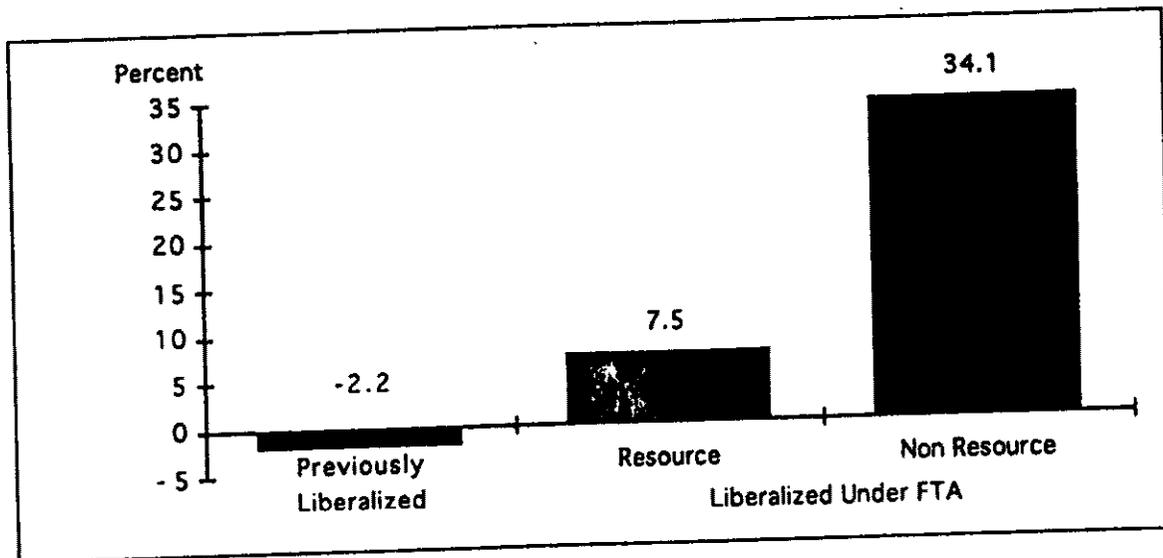


Chart 2
Canadian Exports to USA — % Increase 1989-91



- Among the liberalized exports, the resource based products increased by 7.5 per cent while the non-resource based higher value added exports increased by 34.1 per cent.
- Exports of services in sectors liberalized by the FTA increased by 13.5 per cent over the period, slightly above the rate of increase for services in other sectors.

These data suggest that the FTA is, indeed, performing as expected. Indeed, in an otherwise gloomy economic landscape, FTA related exports represent one of the few bright spots. While the detailed numbers are not yet available, there is some indication that this trend is continuing, as overall exports to the USA are up by 10.5 per cent for the first three quarters of 1992.

It would be an error to translate this improved export performance directly into increased jobs, as the government propaganda mill is inclined to do. First, jobs gained in increased exports may be largely offset by increased imports—another result (indeed, another benefit, to the consumer) of free trade. Second, increased output may, in large measure, be achieved through increased productivity rather than increased employment.

The bottom line is simply this: the main direct impact of free trade is not, and was never honestly expected to be, increased employment. The main impact is to expand exports (and imports) and thus generate increased productivity, increased consumer choices and, finally, increased real incomes for Canadians. The principal employment gains will come well down the road, if at all, in the provision of services resulting from these increased incomes.⁵

Coherent Economic Policies

We therefore believe this is a false debate. The attempt to determine the precise share of job gains or losses attributable directly to free trade may be politically rewarding but misses the point. Free trade, whether with the USA, NAFTA or the GATT is only part of what must be a coherent set of economic policies designed to meet short term problems and lay the basis for long term prosperity.

There are some grounds for hoping that, finally, the overriding need for this policy coherence is understood in Ottawa. It is, regrettably, coming rather late. Many key decisions about plant location within the Canada-USA free trade zone have already been made.

The ideal environment for those decisions would have been a Canadian economy in which there was solid economic growth, relatively low unemployment, moderate inflation, low interest rates and a relatively cheap Canadian dollar. Instead, the opposite has been the case. In the first few years of free trade, we have faced a serious recession, rising unemployment, disinflation and in some cases deflation, high nominal and real interest rates and a Canadian dollar in the stratosphere.

Clearly, Canadian governments, federal and provincial, have not been responsible for all of these problems. The recession has affected not only Canada but the United States, the United Kingdom and other countries, from Australia to Sweden. Given the erosion of Canadian competitiveness through rising unit labour costs, it is also clear that policies of fiscal and monetary restraint were required to bring costs back into line.

It is now obvious, however, that Canadian monetary authorities seriously overshot their own highly ambitious targets. The result was to double our competitive cost disadvantage through the escalation of the value of the Canadian dollar during the crucial first few years of massive structural adjustment to the FTA. Furthermore, the recession may not have been "made in Canada," as the Conference Board of Canada has alleged, but excessively tight monetary policies certainly exacerbated the length and severity of the recession and slowed the path of recovery.

In any event, there is now good reason for believing that Canada is well positioned, in the short run, to take advantage of new opportunities, whether under the FTA, the NAFTA

⁵ This was the essence of Ambassador Gordon Ritchie's testimony as the government's chief witness during the parliamentary hearings on the FTA and its implementing legislation.

or the GATT. There is, finally, solid evidence of recovery with steady if unspectacular real growth in prospect for 1993 and beyond. Employment levels are rising although the rate of unemployment will remain unpalatably high for some years ahead. Inflation is of the order of 2 per cent, or a good deal less if the sectors controlled by government are excluded. Interest rates have resumed their descent following a post referendum hike. Last but not least, the Canadian dollar is now positioned at a more realistic level in the high-70¢ (\$US) range.

Implementation of the Canada-USA FTA

On both sides of the border, the barriers continue to come down. By 1 January 1993, tariffs will have been eliminated on the great bulk of two-way trade: two-thirds of this trade was already duty free before the FTA; tariffs on the rest were eliminated during the first four years plus one day of the FTA.

The remaining tariffs, on the most sensitive items, have been cut in half and will be phased out entirely over the next five years. Now that the dispute over plywood standards is finally resolved, even the tariffs on plywood, waferboard and strandboard will be reduced on schedule.

Implementation has not been without its difficulties. Most of these problems will be addressed in 1993 with the resolution of a number of key trade disputes by FTA panels.

Unfair Trade Laws

The most serious disputes arise from the application of so-called "fair trade laws." Under these laws, both Canada and the USA reserve the right to slap duties on imports judged to be subsidized or dumped or otherwise unfairly

traded. Under the FTA, both countries committed to establish a new and better set of rules to govern this trade by the end of 1993. Meanwhile, the decision to apply these duties was subject to review by binational panels under Chapter XVIII of the FTA. These panels are designed, not to prevent unfair trade disputes—that would be unrealistic—but to resolve them fairly.

The good news is that these FTA panels have, without exception, rendered what we consider to be fair and reasonable decisions.

In the handful of cases involving decisions by Canadian authorities, some questions have been raised about the fairness of the proceedings but the Canadian decisions have been allowed to stand.

Many more cases have involved decisions by American authorities. The Canadian exporters have lost some cases—cases we believe they deserved to lose since the American decision was justified. Most cases have resulted in partial or complete victory for the Canadian exporter as the panels have determined that the Commerce Department overstated the amount of subsidy or dumping involved and/or that it was wrong for the International Trade Commission to have concluded that the American industry was injured.

Insofar as the work of these panels is concerned, the FTA has been highly successful—more successful even than most of its proponents could have expected.

The bad news is that these panels have demonstrated that the American trade law system is continuing to operate unfairly. It was hoped and expected that the FTA panels would find few cases of abuse and that the offending party would move expeditiously to correct these abuses. Instead, the situation is as follows:

- The Administration itself has become increasingly active in initiating unfair trade cases (e.g., lumber) or in championing cases brought by domestic industry (e.g., magnesium).
- In three out of four panel decisions where Commerce has found a significant subsidy or dumping margin, the panels found Commerce had overstated the margins.
- Many cases have dragged on, well beyond the 315 day outside deadline set by the FTA, through delays in approving panels and panelists, procedural delays and the need for repeated remands before the trade authorities take the correct action.
- The Americans have resorted to an "extraordinary challenge" of the panel decision in one case (the case was rejected) and are contemplating a challenge in another, thus adding further delay and expense.
- Even when a panel decision in one case has clearly established that a determination by the Commerce Department was improper, Commerce has continued to apply that same ruling in other, similar cases (e.g., live swine).

These are serious problems. It is in the interest of both countries to work to correct them. That said, this in no way diminishes the importance of the panels' achievement: **Canada is clearly better served with the panel system under the FTA than without it!** It represents a marked improvement over the untrammelled operation of American unfair trade law prior to the FTA. It is clearly superior to the GATT system's attempts to deal with these issues.

Getting Down to Cases

The critical tests of the FTA system are yet to come in the case of flat-rolled steel and, above all, softwood lumber.

1. Flat Rolled Steel

The steel case amply demonstrates the perversity of protectionism. Over the past few years, the North American steel market has become highly integrated. Canadian mills have shipped a significant proportion of their output to the United States, consistently accounting for 3 to 4.5 per cent of the American market. Meanwhile, American mills have discovered Canada, increasing their share from 4.5 per cent in 1986 to more than 16 per cent of the Canadian market today. This increased two-way trade benefits both countries.

In mid-1992, elements of the American industry decided to instigate a massive countervailing and anti-dumping duty case against foreign suppliers. Imports from Canada were included in the dumping investigation because, according to some reports, it was necessary to bulk up the import statistics to dramatize the case. The Commerce Department is expected to release its preliminary determination in the dumping case in late January. If Canada is implicated, the case will be headed for the FTA panels.

In response, the Canadian industry has sensibly brought its own cases against American imports before the Canadian authorities. These cases, too, may end up before the FTA panels.

Meanwhile, efforts are being made to resolve the issue outside the panels through some form of bilateral understanding on trade in this important and integrated industry. To date, they have been unsuccessful.

2. Softwood Lumber

The most important case involves American imports of Canadian softwood lumber. The background to this long-running saga was covered in previous annual *Strategico Reports*. On 15 May 1992, the Department of Commerce finally determined that Canadian lumber was subsidized, but at less than half the amount it had originally found.

In a related development, the International Trade Commission found these imports were injuring an American industry that was enjoying an increased share of market at significantly higher prices and registering high (and in the case of the principal complainant, Georgia Pacific, record) profits!

These determinations are now before the FTA panels. There have been substantial delays: it took several tries to agree on the panelists; an American panelist then withdrew, requiring the process to be restarted; meanwhile, the American industry is challenging the jurisdiction of the FTA panels even to consider the case. These delays may succeed in postponing the final panel decisions until the Summer (or even the Fall) of 1993.

Meanwhile, a GATT panel finally ruled in December that the American authorities acted quite improperly in imposing penalty duties—under the infamous Section 301—on Canadian imports even before the preliminary subsidy determination. The GATT panel, characteristically, avoided dealing with the substantive issues in the case. The finding came more than a year after the original offence and has yet to be adopted by the GATT Council.

Despite these and other frictions, the implementation of the FTA has proceeded remarkably smoothly. It now forms the base for the proposed North American Free Trade Agreement.

North American Free Trade Agreement

The NAFTA was formally signed on 17 December and is intended to come into effect in January 1994. Canadian negotiators had two objectives in the NAFTA. First and foremost, to preserve the gains achieved in the Canada-USA FTA. Second, to move toward free trade with Mexico and, possibly, in future, other countries in the hemisphere.

L'Apertura—The Mexican Opportunity

The secondary objective has largely been achieved. The NAFTA will phase out the remaining tariffs and, more significant, non tariff barriers against Mexico's imports from Canada. Regulations restricting direct investment and the provision of services from Canada and by Canadians will be relaxed over time. These are substantial gains.

The 1980s were difficult for Mexico as GDP per capita actually declined significantly over the decade. Mexico began the 1990s with a population of just over 80 million and a gross domestic product of about \$325 billion for an output per person of around \$4,000—less than one-sixth Canada's. Recent years have, however, seen a turn around as President Salinas's policy of *l'apertura* has begun to bear fruit in rising growth rates and living standards. This has been achieved through the massive liberalization of the Mexican economy. The next step is to open that economy through the NAFTA.

Under NAFTA, Canada stands to participate in Mexico's success over the years ahead. As Canada is a "bit player" in the Mexican market today, a rapid rate of growth is entirely achievable. To put it in perspective, Canada last year exported just over \$500 million in merchandise to Mexico but achieved close to that level in the first three quarters of 1992 alone. Canada today

accounts for just over 1 per cent of foreign investment in Mexico—a figure which could be doubled in short order if one of several acquisitions now under negotiation were concluded.

That said, it will be decades before the results make a significant impact on Canada's overall economic performance. Even if our exports to Mexico doubled this year, they would still represent less than 1 per cent of our exports to the United States.

The Primary Objective

Given these magnitudes, the *primary* Canadian objective was clearly to preserve the access we had negotiated on a preferential basis to the American market under the Canada-USA FTA.

The government took the position that Canada had no choice but to participate in the NAFTA to defend our interests. Left to her own devices, it was argued, the United States would be able to use her bargaining leverage to establish a preferential relationship with Mexico and, possibly, other countries, like the spokes of a wheel radiating from an American centre. Canada had to participate in the architecture of this new regime as a central player or risk being left behind.

In addition, it was announced that Canada would be seeking to improve access to the United States market in important sectors, notably financial institutions and government procurement, while preserving the access we now enjoy in other fields, notably the automotive industries. We would also seek to strengthen the dispute settlement provisions under the FTA and resolve the mounting friction over administration of the rules of origin governing eligibility for cross-border access.

Did the NAFTA meet these Canadian objectives for improving cross-border access to the United States? In our judgment, the NAFTA does generally address Canada's negative objectives of preserving access to the U.S. It fails to achieve Canada's positive objectives of further liberalizing cross-border trade.

Canada has indeed maintained her charter membership in NAFTA. As we forecast in last year's *Strategico Report*, in some fields, agreements are bilateral, e.g., agriculture. For the overwhelming bulk of the NAFTA, however, the agreement is trilateral, applying fully to all three partners. Other countries aspiring to join the arrangement will be obliged to conform broadly to the terms set out by the charter members, and to obtain their approval.

Furthermore, the agreement does preserve important elements of the Canada-USA FTA. There are, however, substantial changes. These changes overwhelmingly reflect the American, not the Canadian, negotiating agenda. Provisions governing the regulation of investment and services have been greatly increased in bureaucratic weight and the opportunity for legal challenge by private parties extended. An entire chapter has been added to meet American demands on intellectual property rights: these provisions are targeted directly at Canada's regime for generic licensing of pharmaceutical patents; they are designed to restrict, not liberalize, competition and trade in these products; these demands were rejected in the FTA negotiations.

Trade rules in key sectors of Canadian opportunity under the FTA have been modified. Industry leaders in these sectors maintain the NAFTA is more restrictive. In the apparel sector, a significantly more restrictive rule of origin has been introduced although the im-

fact has been offset, at least initially, by expansion of the quotas allowed to escape this rule. Trade in automotive products not covered by the AutoPact is also subject to a new origin rule which American authorities claim is at least as restrictive as the highly prejudicial—and in our view, clearly unjustified—interpretation they had placed on the FTA rules to penalize shipments from the Canadian plants of Honda and Toyota. In both industries, there is also a temporary cash “sweetener” in the form of the extension, for another two years, of the right to receive duty drawback on overseas imports.

Attempts to open cross-border access in other sectors generally fell short of the mark. In financial services, the Americans were unprepared to move. In government procurement, the final deal opens up only modest opportunities and, in some important fields (e.g., purchases by electrical utilities) American concessions are conditional upon commitment by the provincial authorities, notably Hydro Québec and Ontario Hydro. In sectors where American harassment at the border had created serious frictions—e.g., meat inspection—no progress was made in disciplining these activities. It remains to be seen whether the proposed new rules of origin will curb the excesses of the American customs authorities.

Dispute Settlement under NAFTA

Finally, the NAFTA incorporates a number of modifications in the FTA regime for the settlement of disputes. For disputes of a general nature, the NAFTA chapter has been trilateralized, renumbered and includes some ingenious and untested procedural novelties. For example, each party now chooses panelists from the other countries' rosters.

In the critical system for resolving disputes over unfair trade laws, a number of changes have been made. Despite the government's claims, it is our judgment that these changes certainly do not strengthen and may arguably weaken the system established by the FTA.⁶ Of particular concern are:

- the formal abandonment of the commitment to reach a new and better set of unfair trade rules; and
- modifications to the panel system which we believe risk adding uncertainty, delay and expense to the process.

These changes do not destroy the usefulness of the panel system—far from it. They do, however, represent a step backward by the NAFTA and, above all, an opportunity missed to correct problems with the working of the system under the FTA.

Multilateral Trade Negotiations

There are high hopes that the multilateral trade negotiations under the GATT—which began around the same time as the FTA negotiations—are finally nearing an end.

The central confrontation is between the United States and Europe over the issue of agricultural support programs. The negotiations were at a standoff until the Americans took action to break open the issue this Fall by threatening retaliatory action against French white wines. The resulting agreement with the Commission of the European Community not only defused the immediate controversy but laid the basis for successful completion of the MTNs themselves.

⁶ Gordon Ritchie, Trade Remedies under the NAFTA, submission to the sub committee on international trade of the Standing Committee on External Affairs and International Trade, 24 November 1992.

The chief obstacles will, as always, be the inefficient farmers in Europe, in Japan—and in Eastern Canada! The French farmers are storming the ramparts of the Commission, aided and abetted by the French Government, in an attempt to undo the deal. The Japanese have been very quiet, but face serious domestic difficulties with their highly protected and subsidized rice farmers. Nonetheless, given the overwhelming interest of these parties in a successful MTN result, prospects are reasonably good that the agreement will proceed.

That will leave the Canadian Government in a very difficult position. Canada has sided with other agricultural exporters in the interests of the Western grain farmer, who faces a chaotic world market distorted by subsidies and quotas. On the other hand, the protected dairy and poultry farmers, concentrated in Eastern Canada, are deeply fearful about an MTN result which would replace the existing cosy system of quotas and embargoes with tariffs—initially very high tariffs but coming down over the years.

The existing GATT agreement is unquestionably of critical importance to Canada. It constitutes the basic framework for Canada's trade with virtually all other countries. Even the FTA, and its proposed successor NAFTA, operate within the GATT framework or international trade rules. Improvements in these GATT rules and in the machinery for their enforcement are in Canada's interest. Canada has led the effort to accomplish this in the MTNs. The result should be some new and stronger institutions. In the key area of rules governing unfair trade disputes, the proposed agreement is much more problematic. As it now stands, the new rules would provide additional protection for assistance to research and development and for regional development, but with provisions which would, for example, make assistance from or for a specific province significantly more attackable.

That said, the direct economic benefits to the Canadian economy from the completion of the current multilateral trade negotiations should not be overstated. As noted, even in the field of agriculture, the impact will be mixed: grain farmers may gain but dairy and poultry farmers will feel very threatened.

For most industrial products and for services, the impact of the MTNs is not dramatic nor uniformly positive. In the MTNs, the plan is to reduce remaining tariffs on industrial products by about one third over several years. This will be of benefit to Canadian exporters to overseas markets, notably in Europe and Japan which took about \$20 billion of Canadian products in 1991.

In previous GATT rounds, however, overwhelmingly the main benefits for Canada stemmed from improved access to the American market for Canadian products—five times bigger than Europe and Japan combined, nearly 20 times bigger for finished goods. This time, of course, free access to that market has already been obtained under the FTA. **The impact of the MTNs will thus be not to improve our access, but to reduce the margin of our preference, in the American market!**

For services, too, by far the biggest market is in the United States which is already covered by the FTA. The extent to which the MTNs increase overseas competition for Canadian firms in that market may offset the gains in improved access for Canadians in overseas markets.

1993: Decision Time

Next year promises to be the Year of Decision on free trade. A number of critical trade disputes, notably over lumber and steel, will come to a head around mid year. The NAFTA legislation will be submitted for approval by Parliament. If the GATT deal is concluded it will also

face parliamentary ratification. All this may come together about the time of a federal general election in which at least one party will be calling for abrogation of the existing FTA and rejection of the NAFTA and possibly the GATT deal.

Abrogation of FTA

Is abrogation a serious option? We have studied this question. Our conclusions point to the serious adverse consequences of any move to abrogate the FTA. The main findings are the following:

- technically, the abrogation of the FTA would be a simple matter requiring six month's notice of Canada's decision;
- this would be accompanied by the repeal of some—but not necessarily all—of the provisions of the legislation originally implementing the FTA;
- the most serious impacts would fall on Canada's principal exporting industries, i.e. the resource-based industries (which would lose the benefit of the FTA dispute settlement provisions) and the transportation equipment industries (which would see pressures to terminate the Auto Pact);
- the overall impact would be highly adverse as
 - firms that have closed Canadian branch plants to rationalize in American locations would have no incentive to return to the *status quo ante*;
 - business confidence would be shaken by such a fundamental reversal of the economic framework and this could result in

the drying up of funds for direct investment, significantly higher interest rates for private (and public) borrowers and the consequent loss of jobs;

- this capital flight could assume serious proportions if, as expected, the United States responded aggressively with an array of protectionist counter-measures including the threat of terminating the Auto Pact and other bilateral arrangements;
- finally, the abrogation of the FTA would substantially undermine Canada's international credibility and seriously weaken our position with the other leading industrial countries and the other members of the international trading community.

The inescapable conclusion is therefore that proposals unilaterally to abrogate the FTA are profoundly unconstructive at this juncture. Even if one believes that we should not have entered the FTA with the United States, that does not mean we should turn back the clock and repeal the arrangement. Abrogation would not protect Canadian jobs but would, in fact, seriously undermine employment and investment in this country.

That is not to suggest that the FTA could not be improved. There remain important areas of unfinished business and others where experience has uncovered serious problems. Some of these were addressed in the NAFTA, notably in attempting to clarify the rules of origin. Others were abandoned, notably the definition of new fair trade rules. With or without NAFTA, Canada should press for improvement in these areas and should expect a reasonable American response.

If the Americans were not prepared to discuss appropriate improvements to the FTA or if abuses of American unfair trade law continued to escalate, then, and only then, could serious consideration be given to terminating the arrangement.

Approval of NAFTA

The signing of the North American Free Trade Agreement represents the successful conclusion of a massive undertaking under great pressure and in quick time. Outgoing president Bush was clearly determined to reach an agreement in time to gain credit in the November election; he will now taste the bittersweet fruits of his efforts as he signs the agreement which it will be up to his successor to bring into law.

Much attention has been paid to the difficulties in obtaining legislative approval from the U.S. Congress under the exigencies of the labyrinthine "fast track" procedures. **We do not foresee any insuperable difficulties in American approval.** President-elect Clinton may wish to accommodate his congressional allies by supplementing the NAFTA with "parallel accords" on environmental and labour standards. Reasonable proposals should be acceptable to Mexico and Canada. Clinton may also wish to follow through on Bush's commitment to provide significantly increased adjustment assistance for displaced American workers. These elements could form part of a package which could accompany the NAFTA implementing legislation itself in going to the Congress before the Summer (around June) for approval well before the end of the year.

The much more serious, and largely ignored difficulties may instead come in Canada. If Prime Minister Mulroney decides to step

down, all bets are off: his successor may not be able to accommodate the NAFTA within the very tight legislative timetable before a Fall general election and may well not be prepared to fight the election on free trade.

If Prime Minister Mulroney stays to fight, free trade may well again be the centrepiece of the election and, despite the devastating results of recent opinion polls, his victory cannot be discounted. He will, however, have serious difficulty in pushing the NAFTA legislation through Parliament before an early Spring election.

Furthermore, passage of the Canadian implementing legislation before the American laws are passed or, possibly, even submitted to Congress would be a dangerous course. Too often in the past, draft American implementing legislation has contained nasty surprises which Canada has expunged only through protracted negotiations and then only with the leverage of our own implementing bill in hand.

Approval of MTN

The approval of an MTN agreement could also be highly controversial. Dairy and poultry farmers may be few in number. Their political influence is substantial as they have proved in past elections, particularly in Québec. The timing could be very awkward for a government dependent for its re-election upon a very strong showing in that province. For these reasons, we suspect the legislation to implement a GATT deal may be deferred at least until after an election.

Conclusions

Over the past seven years, Canadian trade policy has been centred on free trade—with the United States, in North America and through the GATT. This has been central to the Conservative Government's economic agenda. It is the basis of planning by business.

This basic policy orientation is far from solidly entrenched. Many Canadians are dissatisfied with the results of the Canada-USA free trade agreement—the critics have clearly done a better job of communication than have the FTA's defenders. This will colour the debate over whether the FTA should be abrogated and whether the North American and, possibly, the GATT, agreements should be approved. A number of trade disputes will come to a head.

These issues may play a significant role in the upcoming federal election. Amidst the clash of personalities and the flurry of competing issues, that election may well call Canadians to decide the free trade questions. Should Canada continue to pursue free trade? If so, what are the best instruments to use—bilateral, trilateral, multilateral? The choice will shape the country's economic future.



Canadian Forest Industries Council

Le Conseil canadien des industries forestières

5/6/93

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FOR IMMEDIATE RELEASE
MAY 6, 1993

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BINATIONAL PANEL ORDERS SWEEPING RECONSIDERATION OF SOFTWOOD LUMBER DECISION; CITES NUMEROUS FLAWS IN COMMERCE DEPARTMENT'S SUBSIDY DETERMINATION

WASHINGTON, D.C. -- An independent, binational review panel today unanimously ordered the U.S. Department of Commerce (DoC) to reconsider all major elements in its decision to impose a 6.5 percent countervailing duty on imports of softwood lumber from Canada.

Mr. Tom Buell, chairman of the Canadian Forest Industries Council (CFIC), welcomed the review panel's remand order and said the decision confirms CFIC's contention that the Commerce Department's findings were seriously flawed.

"The binational panel today flunked the Commerce Department in Economics 101," Mr. Buell said. "This rebuke is a welcome step for those of us who have insisted that Canada does not subsidize its softwood lumber exports to the U.S.

"It is hard to imagine how we could have had a stronger decision from a binational panel. This decision raises the most fundamental questions about the Commerce Department's case, both in terms of the way they went about it, and the substance of it. In light of this very strong remand, the Clinton Administration should give serious consideration to dropping this unwarranted case.

"We said from the beginning that the Bush Administration had no justification for initiating this case, and no factual basis for claiming a Canadian subsidy. For the first time, an impartial body has evaluated the matter and found serious flaws in the U.S. case. We are confident that once the Commerce Department corrects its mistakes, the claim of subsidy will disappear and the duty will be dropped."

The panel unanimously ordered the Commerce Department to re-evaluate whether Canada's stumpage fees -- the fees charged for standing timber -- constitute a subsidy to Canadian exporters.

The panel said that the Commerce Department "made a fundamental legal mistake," in addressing the argument put forth by Dr. William

Nordhaus that the Canadian stumpage system did not confer a subsidy.

"The Department both misunderstood the theoretical analysis developed by the Canadians of a natural resource market, and ignored the crucial empirical evidence offered by the Canadians to corroborate their theory about the softwood lumber market in that country." The panel added that the Commerce Department "thoroughly misunderstood the nature and implications of the relevant economic analysis and that it totally ignored the specific empirical corroboration developed by Dr. Nordhaus for his thesis."

In its only split decision, the panel voted 3 - 2 that log export measures may legally be countervailed, but unanimously required the Commerce Department to reconsider whether there is sufficient evidence that Canada's log export restrictions constitute a subsidy. "The panel was not persuaded that the record evidence met the requirement" for a finding of subsidy.

In testimony to the panel, the Canadians argued that Dr. William Lange's work with the DoC during its investigation prejudiced the case against Canada. Lange was a former spokesman for the American lumber coalition that supported the case against Canada.

The panel concluded that it had "serious concerns that Dr. Lange's participation in the investigation in B.C. (British Columbia) and Quebec may have been inappropriate and may have tainted (Commerce's) final determination." It added that "there exists a definite possibility of an appearance of bias." The panel asked Commerce to provide a detailed explanation of Lange's involvement.

The panel's decision requires the DoC to respond to every question raised by the panel, correct all the mistakes in its analysis and report back to the panel within 90 days. If the panel is not satisfied with the DoC's response, it may choose to remand again with more specific instructions.

The panel's announcement resulted from an appeal -- by the Government of Canada, its provinces and the Canadian lumber industry -- of the DoC's May, 1992, determination. The binational panel was made up of three Canadians and two Americans. The panel appeal process was established under Chapter 19 of the U.S.-Canada Free Trade Agreement.

CFIC Vice Chairman Ted Boswell noted American consumers continue to be stuck with the tab for the politically-motivated countervailing duty imposed by the Bush Administration.

"The National Association of Home Builders has repeatedly asked the Clinton Administration to drop this unwarranted duty that has helped to drive up the cost of new homes by several thousands of dollars," Boswell said. "The President would be well-advised to listen to the Home Builders."

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MAY 6, 1993**

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Mr. Tom Buell, chairman of the Canadian Forest Industries Council (CFIC), welcomed the review panel's remand order and said the decision confirms CFIC's contention that the Commerce Department's findings were seriously flawed.

"The binational panel today flunked the Commerce Department in Economics 101," Mr. Buell said. "This rebuke is a welcome step for those of us who have insisted that Canada does not subsidize its softwood lumber exports to the U.S.

"It is hard to imagine how we could have had a stronger decision from a binational panel. This decision raises the most fundamental questions about the Commerce Department's case, both in terms of the way they went about it, and the substance of it. In light of this very strong remand, the Clinton Administration should give serious consideration to dropping this unwarranted case.

"We said from the beginning that the Bush Administration had no justification for initiating this case, and no factual basis for claiming a Canadian subsidy. For the first time, an impartial body has evaluated the matter and found serious flaws in the U.S. case. We are confident that once the Commerce Department corrects its mistakes, the claim of subsidy will disappear and the duty will be dropped."

The panel unanimously ordered the Commerce Department to re-evaluate whether Canada's stumpage fees -- the fees charged for standing timber -- constitute a subsidy to Canadian exporters.

The panel said that the Commerce Department "made a fundamental legal mistake," in addressing the argument put forth by Dr. William

-more-

Nordhaus that the Canadian stumpage system did not confer a subsidy.

"The Department both misunderstood the theoretical analysis developed by the Canadians of a natural resource market, and ignored the crucial empirical evidence offered by the Canadians to corroborate their theory about the softwood lumber market in that country." The panel added that the Commerce Department "thoroughly misunderstood the nature and implications of the relevant economic analysis and that it totally ignored the specific empirical corroboration developed by Dr. Nordhaus for his thesis."

In its only split decision, the panel voted 3 - 2 that log export measures may legally be countervailed, but unanimously required the Commerce Department to reconsider whether there is sufficient evidence that Canada's log export restrictions constitute a subsidy. "The panel was not persuaded that the record evidence met the requirement" for a finding of subsidy.

In testimony to the panel, the Canadians argued that Dr. William Lange's work with the DoC during its investigation prejudiced the case against Canada. Lange was a former spokesman for the American lumber coalition that supported the case against Canada.

The panel concluded that it had "serious concerns that Dr. Lange's participation in the investigation in B.C. (British Columbia) and Quebec may have been inappropriate and may have tainted (Commerce's) final determination." It added that "there exists a definite possibility of an appearance of bias." The panel asked Commerce to provide a detailed explanation of Lange's involvement.

The panel's decision requires the DoC to respond to every question raised by the panel, correct all the mistakes in its analysis and report back to the panel within 90 days. If the panel is not satisfied with the DoC's response, it may choose to remand again with more specific instructions.

The panel's announcement resulted from an appeal -- by the Government of Canada, its provinces and the Canadian lumber industry -- of the DoC's May, 1992, determination. The binational panel was made up of three Canadians and two Americans. The panel appeal process was established under Chapter 19 of the U.S.-Canada Free Trade Agreement.

CFIC Vice Chairman Ted Boswell noted American consumers continue to be stuck with the tab for the politically-motivated countervailing duty imposed by the Bush Administration.

"The National Association of Home Builders has repeatedly asked the Clinton Administration to drop this unwarranted duty that has helped to drive up the cost of new homes by several thousands of dollars," Boswell said. "The President would be well-advised to listen to the Home Builders."

National NewsLines

US1 is PR Newswire's premier national circuit, giving you access to more than 2,000 newspapers, wire services, magazines and broadcast points across the U.S. The Investors Research Wire (see page 50 for IRW points), which now serves more than 25,000 terminals in the world-wide financial community, is included with US1 at no additional charge. Appropriate trade publications also are included with US1 at no additional charge (see page 10 for a complete list).

ALABAMA
 Birmingham
 News
 Post-Herald
 Florence
 Times Daily
 Gadsden
 Times
 Huntville
 Times
 Mobile
 Press
 Register
 Montgomery
 Advertiser
 Alabama Journal
 Tuscaloosa
 News

ALASKA
 Anchorage
 Daily News
 Times
 AP
 Fairbanks
 Daily News-Miner
 Juneau
 Empire

ARIZONA
 Chandler
 Arizonan-Tribune
 Mesa
 Tribune
 Phoenix
 Arizona Republic
 Gazette
 AP
 Arizona Business Gazette
 Phoenix Business Journal
 Scottsdale
 Progress
 Tempe
 Daily News-Tribune
 Tucson
 Arizona Daily Star
 Citizen

ARKANSAS
 Little Rock
 Arkansas Democrat-Gazette
 AP

CALIFORNIA (Northern)
 Alameda
 Times-Star
 Antioch
 Daily Ledger
 Contra Costa
 Times
 Fresno
 Bee
 Hayward
 Daily Review
 Livermore
 Herald
 Maria
 Independent Journal
 Merced
 Sun Star
 Modesto
 Bee
 Monterey
 Herald
 Oakland
 Tribune
 Palo Alto
 Times
 Peninsula
 Times Tribune
 Pinole West County
 Times
 Pittsburg
 Post Dispatch
 Pleasanton
 Herald
 Valley Times
 Redwood City
 Tribune
 Sacramento
 Bee
 Daily Recorder
 Union
 AP • UPI
 KFBK-AM
 Capitol News Service
 Copley News Service
 Gannett News Service
 Bakersfield Californian Bureau
 O. C. Register Bureau
 San Diego Tribune Bureau
 San Diego Union Bureau
 S. F. Examiner Bureau

CALIFORNIA (Northern)
 San Francisco
 Chronicle
 Examiner
 Banner & Daily Journal
 Marin County Court Reporter
 AP • UPI
 Dow Jones/Wall Street Journal
 Reuters
 Cable News Network
 KGO-TV • KPIX-TV
 KRON-TV
 Bay City News Service
 Pacific Stock Exchange
 Journal of Commerce Bureau
 Chilton Publications
 CMP Publications (8)
 CW Communications
 Editech International (28)
 Fairchild Publications
 McGraw-Hill Publications
 Miller-Freeman Publications
 OAG Travel Magazines
 Other Publications served
 American Banker
 Business Journal
 Business Times
 California Lawyer
 Computerworld
 Healthweek
 Inter-City Express
 MacWeek
 Nighthawk Productions
 PC World

San Jose
 Mercury News
 San Mateo Times
 Bay City News Service Bureau
 Business Journal
 Dataquest
 Editech
 Fin1 Times of London Bureau
San Ramon
 Valley Herald
 Valley Times
Santa Cruz
 Advocate Journal
 Sentinel
Santa Rosa
 Daily Herald-Recorder
 Press Democrat
Stockton
 Record
 Vallejo
 Times-Herald

CALIFORNIA (Southern)
 Anaheim
 Bulletin
 Arcadia
 Tribune
 Bakersfield
 Californian
 Beverly Hills
 Independent
 Brawley
 News
 Brentwood/Westwood
 Press
 Burbank
 Leader
 Carlsbad
 Journal
 Chula Vista
 Star-News
 Culver City
 Independent
 Del Mar
 Surfcomber
 Citizen
 El Cajon
 Californian
 El Centro
 Imperial Valley Press
 Escondido
 Times-Advocate
 Glendale
 News-Press
 Inland Valley
 Daily Bulletin
 Long Beach
 Press-Telegram
 Los Angeles
 Los Angeles Times
 Regional Editions:
 Long Beach, Orange County
 San Fernando Valley
 South Bay (Torrance)
 Southeast (Cerritos)
 Westside (Santa Monica)
 Daily News of Los Angeles
 AP • UPI • Reuters
 Dow Jones/Wall Street Journal
 IPI MetroWire
 California Press Bureau
 Beverly Hills Today
 West Hollywood Today
 Los Angeles Today
 San Fernando Today
 Hollywood Today
 Palm Springs Today

CALIFORNIA (Southern)

California Jewish Press
 New York Times Bureau
 Time Magazine Bureau
 City News Service
 Cable News Network
 CNBC-TV (Conn. & Bus.)
 KTTY-TV • KCAL-TV
 Radio Central News
 KPWB-AM • KNX-AM
 KBLA-AM
 J.D. Power and Associates
 Daily Commerce
 Investor's Business Daily
 The Nightly Business Report
 Visnews
 Los Angeles Daily Journal
 La Opinion
 American Banker
 Los Angeles Business Journal
 Pacific Stock Exchange
 Nikkei Weekly
 Nihon Keizai Shimbun
 Yomiuri Shimbun
 Chilton Publishing
 American Metal Market
 Multichannel News
 Video Business
 Crain Communications
 Advertising Age
 Autoweek
 Automotive News
 Business Insurance
 Electronic Media
 Modern Healthcare
 Pensions & Investments
 Fairchild Publications
 Childrens Business
 Daily News Record
 Footwear News
 Golf Pro
 Supermarket News
 SportStyle
 Women's Wear Daily
 Lebbhar-Friedman Puba.
 Drug Store News
 National Homecenter News
 Nation's Restaurant News
 McGraw-Hill Publications
 Aviation Week & Space Tech.
 Business Week
 Other Publications served
 Adweek
 Billboard
 Daily Variety
 Electronic News
 Hollywood News Calendar
 Speednews
 Monrovia
 News Post
 Montrose
 Foothill Leader

CALIFORNIA (Northern)

Oceanwide
 Blade-Citizen
 Breeze
 Newport Beach/Costa Mesa
 Pilot
 Orange County
 Register
 OCN
 (Orange County NewsChannel)
 Today
 Business Journal
 Palm Springs
 Desert Sun
 Pasadena
 Star-News
 Rancho Santa Fe
 Times
 Riverside
 Press-Enterprise
 San Bernardino
 Sun
 San Diego
 Union-Tribune
 KNSD-TV
 KFMB-AM & FM • KPFD-FM
 KPBS-FM • KSDO-AM
 AP • UPI
 Los Angeles Times (Bureau)
 Business Journal
 Daily Transcript
 San Gabriel Valley
 Daily Tribune
 San Pedro
 News-Pilot
 Santa Barbara
 News-Press
 Santa Maria
 Times
 Santa Monica
 Outlook
 Solana Beach
 Sun • Citizen
 Vista Voice Press
 Temple City
 News
 Thousand Oaks
 News-Chronicle
 Torrance
 Daily Breeze
 Venice Marina
 News
 Ventura
 Star-Free Press
 Victorville
 Daily Press
 West LA
 Independent
 Westchester
 Observer
 Whittier
 Daily News

COLORADO

Boulder
 Camera
 Colorado Springs
 Gazette Telegraph
 Business Radio Network
 Denver
 Post
 Rocky Mountain News
 AP • Reuters
 KCNC-TV
 KOA-AM • KYGO-AM & FM
 Hart Publications
 Gulf Coast Oil World
 Mid-Continent Oil World
 Northeast Oil World
 Oil & Gas Finance Source Bk
 Oil & Gas Investor Magazine
 Southwest Oil World
 Western Oil World
 Other Publications served
 Electronic News
 Multichannel News
 Petroleum Information
 Ft. Collins
 Coloradoan
 Greeley
 Daily Tribune
 Longmont
 Daily Times-Call
 Pueblo
 Chieftain

CONNECTICUT

Bridgeport
 Post-Telegram
 Danbury
 News-Times
 Hartford
 AP • Reuters
 Advocate • Courant
 WFSB-TV
 Manchester
 Journal Inquirer
 Meriden
 Record-Journal
 New Haven
 Register
 McGraw-Hill Publications
 Norwalk
 Hour
 Stamford
 Advocate • AP
 Waterbury
 American • Republican

DELAWARE

Dover
 Delaware State News • AP
 Philadelphia Inquirer Bureau
 State Capitol Newsroom
 Wilmington
 The News Journal
 WHYY-TV • WJBR-AM&FM
 WDEL-AM • WILM-AM

DISTRICT OF COLUMBIA

(For extensive Washington coverage see page 41.)
 Washington Post
 Washington Times
 USA Today
 Wall Street Journal
 UPI • UPI Radio
 Gannett News Service
 States News Service
 Washington Business Journal
 Cable News Network
 ABC-Good Morning America
 Mutual Broadcasting
 NBC Radio
 NHK (Japan Broadcasting)
 Agence France-Presse
 Nikkei Weekly
 Business Publishers Inc. (60)
 Capitol Publications (69)
 Jane's Information Group (8)
 King Publishing (6)
 Pasha Publications (19)
 Phillips Publishing
 Aviation Daily
 Communications Daily
 Computer Age
 Defense Daily
 Defense News
 Defense Week
 Energy Daily
 Journal of Commerce
 Oil Daily
 U.S. News & World Report

FLORIDA

Boca Raton
 News
 Bradenton
 Herald
 Daytona Beach
 News-Journal
 Delray
 Beach News
 Ft. Myers
 News-Press
 Ft. Lauderdale
 News
 Sun-Sentinel
 Broward Review
 Gainesville
 Sun
 Jacksonville
 Florida Times-Union
 Business Journal
 Financial News & Daily Record
 Jupiter
 Courier Journal
 Lakeland
 Ledger
 Melbourne
 Florida Today

National NewsLines

FLORIDA (cont'd)

Miami
 Herald • Review • Today
 AP • UPI • Reuters
 Dow Jones/Wall Street Journal
 WCIX-TV • WTVJ-TV
 WPBT-TV • WPLG-TV
 WSVN-TV
 Nightly Business Report
 WINZ-AM & FM
 WIOD-AM • WFLC-FM
 Business Week Bureau
 South Florida Business Journal

Naples
 Daily News

Ocala
 Star-Banner

Orlando
 Sentinel
 Florida Radio Network
 Business Journal

Palm Beach
 Post • Review

Pensacola
 News Journal

Port St. Lucie
 News

Sarasota
 Herald-Tribune

Stuart
 News

Tallahassee
 Democrat

Tampa/St. Petersburg
 St. Petersburg Times
 Tampa Tribune
 Tampa Bay Business Journal

Winter Haven
 News Chief

GEORGIA

Albany
 Herald

Athens
 Banner-Herald • Daily News

Atlanta
 Constitution • Journal
 Gwinnett Daily News
 The Atlanta Bureau
 Los Angeles Times Bureau
 Atlanta Business Chronicle
 AP • UPI • Reuters
 Dow Jones/Wall Street Journal
 WSB-TV • WXIA-TV
 Cable News Network
 WGST-AM • WPCB-FM
 WSB-AM
 Georgia Radio News Service
 American Banker
 Business Week
 Lafferty Publications
 The Accountant
 Bank Fin'l Mgt. Int'l
 Bank Marketing Int'l
 Business Banker Int'l
 Cards International
 Corporate Accounting Int'l

GEORGIA (cont'd)

Electronic Payments Int'l
 European Accountant
 European Banker
 Int'l Accounting Bulletin
 Private Banker Int'l
 Retail Banker Int'l

Augusta
 Chronicle • Herald

Columbus
 Ledger-Enquirer

Gainesville
 Times

Macon
 Telegraph and News

Marietta
 Daily Journal

Rome
 News-Tribune

Savannah
 Evening Press • Morning News

HAWAII

Honolulu
 Advertiser • Star-Bulletin

IDAHO

Boise
 Idaho Statesman

Coeur d'Alene
 Press

Lewiston
 Tribune

ILLINOIS

Arlington Heights
 Daily Herald

Chicago
 Sun-Times • Tribune
 New York Times Bureau
 AP • UPI • Reuters
 City News Bureau
 Dow Jones/Wall Street Journal
 Knight-Ridder Financial News
 ABC-TV • CBS-TV
 NBC-TV • WBBM-TV
 WCII-TV • WFLD-TV
 WGN-TV • WLS-TV
 WMAO-TV • WSNS-TV
 Cable News Network
 ABC Radio Network
 WBBM-AM & FM • WBEZ-FM
 WCKG-FM • WFMT-FM
 WFYR-FM • WGCI-AM & FM
 WGN-AM • WIND-AM
 WLS-AM • WLUP-AM & FM
 WMAQ-AM • WOJO-FM
 WVAZ-FM • WVON-AM
 WXRT-FM
 Japan Economic Journal
 American Banker
 Voice of America
 Telephony Magazine
 Crain Communications
 Fairchild Publications
 McGraw-Hill Publications

Peoria
 Journal Star

INDIANA

Anderson
 Herald-Bulletin

Bloomington
 Herald-Times

Elkhart
 Truth

Evansville
 Courier • Press

Fl. Wayne
 Journal-Gazette
 News-Sentinel

Gary
 Post-Tribune

Hammond
 Times

Indianapolis
 News • Star
 AP • UPI
 WTTV-TV • WISH-TV
 WRTV-TV
 Business Journal
 Indiana Business Magazine

Lafayette
 Journal & Courier

Richmond
 Palladium-Item

South Bend
 Tribune

Terre Haute
 Tribune-Star

IOWA

Cedar Falls
 Futures World News

Cedar Rapids
 Gazette

Des Moines
 Register

KANSAS

Wichita
 Eagle-Beacon

KENTUCKY

Bowling Green
 Daily News

Covington
 Kentucky Post

Lexington
 Herald-Leader

Louisville
 Courier-Journal
 AP • UPI
 Kentucky Radio Network

Owensboro
 Messenger-Inquirer

Paducah
 Sun

LOUISIANA

Baton Rouge
 Advocate • State-Times
 Louisiana Radio Network

Lafayette
 Advertiser
 Lake Charles
 American Press

Monroe
 News-Star-World

New Orleans
 Times Picayune
 AP • UPI • Reuters • Dow Jones

Shreveport
 Times

MAINE

Bangor
 Daily News

Portland
 Press Herald

MARYLAND

Annapolis
 Capital

Baltimore
 Sun • Evening Sun
 Daily Record • AP • UPI
 WBAL-AM • WLIF-AM & FM
 WBAL-TV • WJZ-TV • WMAR-TV

Frederick
 News-Post

Greenbelt
 WPGC-AM
 (Business Radio Network)

Hagerstown
 Herald & Daily Mail
 Morning Herald

Prince George's County
 Journal

Rockville
 Montgomery Journal • NASD

MASSACHUSETTS

Boston
 Globe • Herald
 AP • UPI • Reuters
 Dow Jones/Wall Street Journal
 Christian Science Monitor
 WBZ-TV • WCVB-TV
 WBZ-AM • WEEI-AM
 WHDH-AM • WRKO-AM
 IDG News Network
 IDG: Digital News
 Business Journal
 Fairchild Publications
 Sportstyle
 Footwear
 McGraw-Hill Publications
 Business Week
 Pennwell Publishing
 Computer Digest
 Computer Graphics World
 Networking Management
 Solid State Tech
 Type World

MASSACHUSETTS (cont'd)

Brockton
Enterprise
Framingham
Middlesex News
IGD: Computerworld
Hyannis
Cape Cod Times
Lawrence
Eagle-Tribune
Lowell
Sun
New Bedford
Standard-Times
Newton
Cahners Publications:
Biotechnology Week
Business Research Group
CPI Purchasing
Datamation
Design News
Digital Review
EDN
EDN News
Electronic Business
Electronic Business/Asia
Electronics Purchasing
Industrial Distribution
Modern Materials Handling
Plastics World
Purchasing
SAIL
Systems Integration
Test & Measurement World
Traffic Management
Quincy
Patriot Ledger
Salem
Evening News
Springfield
Union-News
Worcester
Telegram & Gazette

MICHIGAN

Ann Arbor
News
Bay City
Times
Detroit
The Detroit Free Press
The Detroit News
Troy-Somerset Gazette
Flint Journal
Mount Clemens Macomb Daily
Pontiac Press
Royal Oak Daily Tribune
Heritage Newspapers
Observer & Eccentric
Newspapers
Monday Morning Newspapers
The Detroit Bureau
Booth Newspapers Bureau
Chicago Tribune Bureau
Los Angeles Times Bureau
New York Times Bureau

MICHIGAN (cont'd)

Newsweek Bureau
Time Bureau
USA Today Bureau
AP • UPI
Dow Jones/Wall Street Journal
Reuters
Cable News Network
WDIV-TV • WGPR-TV
WJBK-TV • WKBD-TV
WXYZ-TV • WMXD-AM
WCSX-FM • WDET-FM
WGPR-FM • WJLB-FM
WJOL-FM • WJR-AM
WNIC-AM & FM • WOMC-FM
WWJ-AM • WWWF-FM
WXYZ-AM
Crain's Detroit Business
Detroit Press Club
Automotive Industries
Automotive News
McGraw-Hill Publications
Ward's Automotive Pub.
Motor Trend
Road & Track
Grand Rapids
Press • WOTV-TV
Gemini Publications
Jackson
Citizen Patriot
Kalamazoo
Gazette • WWMT-TV
Lansing
State Journal
Capitol News Bureau
Muskegon
Chronicle
Saginaw
News

MINNESOTA

Minneapolis/St. Paul
Star Tribune
St. Paul Pioneer Press
AP • UPI
Dow Jones • Reuters
KARE-TV • KMSP-TV
WCCO-TV • KSTP-TV
KNOW-FM • KSJN-FM
KUOM-AM • WCCO-AM
Minnesota News Network
(64 Radio Stations)
CityBusiness
Finance & Commerce
Skyway/Freeway News

MISSISSIPPI

Jackson
Clarion Ledger
Tupelo
Northeast Mississippi Daily
Journal

MISSOURI

Kansas City
Star • AP
Knight-Ridder
St. Louis
Post-Dispatch

MONTANA

Billings
Gazette

NEBRASKA

Omaha
World-Herald

NEVADA

Las Vegas
Review-Journal
Sun • UPI
Reno
Gazette-Journal

NEW HAMPSHIRE

Concord
AP
Manchester
Union Leader
Nashua
Telegraph
Peterborough
Byte Magazine

NEW JERSEY

Ansbury Park
Press
Atlantic City
Press
Bridgewater
Courier-News
Camden
Courier-Post
Fort Lee
CNBC
Hackensack
Record
Jersey City
Jersey Journal
Morristown/Parlisspany
Daily Record
New Brunswick
Central New Jersey Home
News
Newark
AP • Star-Ledger
Toms River
Ocean County Observer
Trenton
Times • Trentonian • UPI
New Jersey Network
Willingboro
Burlington County Times
Woodbridge
News-Tribune
Woodbury
Gloucester County Times • AP

NEW MEXICO

Albuquerque
Journal • Tribune
Santa Fe
New Mexican

NEW YORK

Albany
Times-Union
AP • UPI
Binghamton
Press & Sun-Bulletin
Buffalo
News
Elmira
Star-Gazette
Mamaroneck
Daily Times
Mt. Vernon
Daily Argus
New York City
Times
Daily News
Newsday
Post
Wall Street Journal
Journal of Commerce
Investor's Business Daily
Los Angeles Times Bureau
Dow Jones • Reuters
AP • UPI
AFX News Service
Bloomberg News Service
Fitch Investors Service
Moody's Investors Service
Standard & Poor's
S&P MarketScope
Knight-Ridder Financial
Manufacture News Wire
Market News Service
Black Press Service
Cable News Network
WABC-TV • WNBC-TV
WCBS-AM
CBS Radio Network
Black Radio Network
American Stock Exchange
National Association of
Securities Dealers
New York Stock Exchange
Asahi Shimbun
Dempa Shimbun
EFE Spanish News Agency
Financial Times of London
German Economic News
German Press Agency
International Herald Tribune
NHK (Japan Broadcasting Co.)
Nikkei Weekly
Jiji Press
Kyodo News Service
Nihon Keizai Shimbun
Nikkan Kogyo Shimbun
Sangyo Press
Xinhua News Agency
Yomiuri Shimbun



National NewsLines

NEW YORK (cont'd)

CMP Publications
 Fairchild Publications
 Gralla Publications
 Lebban-Friedman
 McGraw-Hill Publications
 American Banker
 Banking Week
 Barron's
 Bond Buyer
 Bond World
 Business Week
 Crain's New York Business
 Equities
 Financial World
 Fortune
 Institutional Investor
 Investment Dealers' Digest
 Money
 Advertising Age
 Adweek
 American Metal Market
 CPI Equipment Reports
 Chain Drug Review
 Chemical Engineering
 Chemical Marketing Reporter
 Chemical Week
 Communications Daily
 Frequent Flyer
 Mass Market Retailers
 Maxwell's Official Airline Guide
 Metal Bulletin
 National Mail Monitor
 PC Magazine
 Platt's Oil Gram News
 Racher Press
 Television Digest
 TWICE
 Travel Age East
 Travel Agent
 Travel Management Daily
 Weekly Insider
 New Rochelle
 Standard-Star
 Niagara Falls
 Gazette
 Nyack
 Rockland Journal-News
 Ossining
 Citizen-Register
 Peekskill
 Star
 Poughkeepsie
 Journal
 Rochester
 Democrat & Chronicle
 Times-Union
 Staten Island
 Advance
 Schenectady
 Gazette
 Syracuse
 Post-Standard
 Herald Journal

NEW YORK (cont'd)

Tarrytown
 Daily News
 Ulva
 Observer-Dispatch
 Watertown
 Daily Times
 White Plains
 Reporter-Dispatch
 Yonkers
 Herald Statesman

NORTH CAROLINA

Chapel Hill
 International Oil News
 Petrochemical News
 Charlotte
 Observer • Business Journal
 WBTV • WCNC-TV
 W SOC-TV
 Durham
 Herald-Sun
 Gastonia
 Gaston Gazette
 Greensboro
 News & Record
 Triad Business
 WFMV-TV
 Hickory
 Daily Record
 High Point
 Enterprise • WGHP-TV
 Raleigh
 News & Observer • AP
 North Carolina News Network
 WRAL-FM • WRAL-TV
 Wilmington
 Morning Star
 Winston-Salem
 Journal

OHIO

Akron
 Beacon Journal
 WAKR-AM • WONE-FM
 WAKC-TV
 Plastic News
 Rubber & Plastic News
 Canton
 Repository
 Cincinnati
 Enquirer • Post • AP
 Business Courier
 Business Record
 Kentucky Post
 Press Community Newspapers
 WCPO-TV • WKRC-TV
 WLWT-TV • WLW-AM
 WGUC-FM • WYXU-FM
 WKRC-AM/WKRU-FM
 WCKY-AM

OHIO (cont'd)

Cleveland
 Plain Dealer • Call & Post
 Sun Newspapers • AP
 Crain's Cleveland Business
 WEWS-TV • WJW-TV
 WKYC-TV • WUAB-TV
 WGAR-FM • WRMR-AM
 WCPN-FM • WCLV-FM
 WDOK-FM • WERE-AM
 WHK-AM • WJMO-FM
 WKNR-AM • WMJI-FM
 WMMS-FM • WNCX-FM
 WLTF-FM • WWWE-AM
 WZAK-FM
 Corporate Cleveland Magazine
 Cleveland Magazine
 McGraw-Hill Publications
 Penton Publishing (40 pubs.)
 Portfolio
 Columbus
 Dispatch • AP • UPI
 Business First
 WBNS-TV • WCMH-TV
 WSYX-TV • WTVN-AM
 Dayton
 Daily News
 WDTN-TV • WHIO-TV
 WKDF-TV
 WHIO-AM/WHKO-FM
 Elyria
 Chronicle Telegram
 Hamilton
 Journal News
 Kent
 WKSU-FM
 Lima
 News
 Lorain
 Journal
 Mansfield
 News Journal
 Massillon
 Evening Independent
 Medina
 County Gazette
 Sandusky
 Register
 Springfield
 News-Sun
 Steubenville
 WTOV-TV
 Toledo
 Blade • UPI
 WNWO-TV • WTOL-TV
 WTVG-TV
 Business Journal
 Warren
 Tribune Chronicle
 Willoughby/Lake County
 News-Herald
 Business Review
 The Lake County Business Jrnl
 Youngstown
 Vindicator
 WFMJ-TV • WABN-TV
 WTV-TV

OKLAHOMA

Oklahoma City
 Daily Oklahoman-Times
 In-depth Digest
 Tulsa
 World
 Tribune
 OREGON
 Eugene
 Register-Guard
 Portland
 Oregonian • AP • KAL-AM
 KATU-TV • KGW-TV
 KOIN-TV • KPTV-TV
 NEX-AM • KING-FM
 Daily Journal of Commerce
 Northwest News Network
 Business Journal
 Salem
 Statesman-Journal • UPI

PENNSYLVANIA

Allentown
 Morning Call
 WPMZ-TV • WPMZ-FM
 Allentown
 Mirror • WTAJ-TV
 Beaver County
 Times
 Bloomsburg
 Press-Enterprise
 NE Penn. Business Journal
 Butler
 County News • Eagle
 Doylestown
 Intelligencer/Record
 Easton
 Express-Times
 Erie
 Morning News • Times
 WJET-TV • WSEE-TV
 Ft. Washington
 Today's Spirit
 Montgomery Newspaper Group
 Greensburg
 Tribune-Review
 Harrisburg
 Patriot • Evening News
 State Capitol Newsroom
 WHP-TV • WHTM-TV
 WHP-AM/FM
 Hazleton
 Standard-Speaker
 Johnstown
 Tribune-Democrat
 Lancaster
 Intelligencer Journal
 New Era • WGAL-TV
 Lansdale
 Reporter
 Lebanon
 WLYH-TV
 Lehigh/Bristol
 Bucks County Courier-Times
 Lewisburg
 Sentinel

PENNSYLVANIA (cont'd)

McKeesport
Daily News

Moonee
WNEP-TV

Norristown
Times Herald

North Hills
News Record

Paoli
Autofacts

Philadelphia
Daily News • Inquirer
Tribune • AP • UPI • Reuters
KYW-TV • WCAL-TV
WPVI-TV • WTXF-TV
KYW-AM • WDAS-FM
WHYY-FM • WMGK-FM
WPEN-AM • WWDB-FM
WISL-FM
New York Times Bureau
City Hall Newsroom
Dun & Bradstreet
Business Week
Philadelphia Business Journal
Philadelphia Stock Exchange
Shadow Traffic/Astro Traffic
Fairchild Pubs. (10 pubs.)

Pittsburgh
Post-Gazette
Press
AP • UPI • Reuters
Dow Jones/Wall Street Journal
ADKA-TV • WPXI-TV
WTAE-TV
KDKA-AM • KOY-AM
WYJZ-AM/WAMO-FM
WDSY-FM • WEEP-AM
WLTJ-FM • WTAE-AM
WWSW-AM & FM
Sheridan Broadcasting Network
Business Times
Business Week
American Metal Market
Iron Age
Fairchild Publications
McGraw-Hill Publications

Pottstown
Mercury

Primos/Chester
Delaware County Daily Times

Reading
Eagle & Times

Scranton
Tribune • Times

Sharpsburg
Herald

State College
Centre Daily Times

Tarentum
Valley News-Dispatch

Uniontown
Herald-Standard

Washington
Observer-Reporter

West Chester
Daily Local News

PENNSYLVANIA (cont'd)

Wilkes-Barre
Citizens' Voice • Times Leader

York
Daily Record • Dispatch
WSBA-AM

RHODE ISLAND
Providence
Bulletin • Journal

SOUTH CAROLINA
Charleston
Post & Courier
Columbia
State • AP
Florence
Morning News
Greenville
Piedmont • News
WYFF-TV
Myrtle Beach
Sun News
Rock Hill
Herald
Spartanburg
Herald-Journal

TENNESSEE
Chattanooga
News-Free Press • Times
Jackson
Sun
Johnson City
Press
Kingsport
Times-News
Knoxville
News-Sentinel
Memphis
Commercial Appeal
Business Journal
Nashville
Banner • Tennessean
Business Journal
Oak Ridge
Oak Ridger

TEXAS
Amarillo
Globe-Times
Austin
American-Statesman
KVUE-TV • KOKE-AM
Austin Business Journal
Corpus Christi
Callier-Times
Dallas
Morning News
DFW People
New York Times
Suburban Daily News
AP • UPI • Reuters
Dow Jones/Wall Street Journal
KDFW-TV • WFAA-TV
KTVT-TV • KKAS-TV
Cable News Network

TEXAS (cont'd)

KRLD-AM • KVII-FM
Texas State Radio Network
Advertising Age
Adweek
American Banker
Barron's
Business Press
Business Week
Daily Commercial Record
Business Journal
Fairchild Publications
McGraw-Hill Publications
The Texas Lawyer

El Paso
Times
Fort Worth
Star-Telegram
Mid-Cities Daily News
KXAS-TV
WBAP-AM • KSCS-FM
KLIF-AM • KPLX-FM

Garland
Daily News

Grand Prairie
Daily News

Houston
Chronicle • Post
AP • UPI • Reuters
Dow Jones
KPRC-TV • KHOU-TV
NBC News Bureau
KPRC-AM
The Energy Report
Fairchild Publications
Houston Business Journal
Japan Economic Journal
McGraw-Hill Publications
Gas Daily
Gulf Publishing Co.
Inside Gas Markets
Offshore Data Services
Oil and Gas Journal
Oil Daily
Ocean Oil Weekly
Petroleum Information
Platt's Oil Gram

Irving
Daily News

Lubbock
Avalanche Journal

Midland
Reporter Telegram

Plano
Star-Courier

Richardson
Daily News

San Angelo
Standard Times

San Antonio
Light • Express News
Business Journal
KENS-TV • WOAI

Tyler
Morning Telegraph

Waco
Tribune-Herald

UTAH

Salt Lake City
Deseret News • Tribune

VERMONT

Burlington
Free Press
Rutland
Herald

VIRGINIA

Charlottesville
SNL Securities
Newport News
Daily Press
Norfolk
Virginian-Pilot
Richmond
Times-Dispatch • News-Leader
AP • UPI
Financial Weekly
Virginia News Network
Roanoke
Times & World-News
Springfield
Defense News
Journal Newspapers

WASHINGTON

Bellevue
Journal American
Bellingham
Herald
Bremerton
Sun
Everett
Herald
Kent
Valley Daily News
Longview
Daily News
Olympia
The Olympian/USA Today
Pasco
Tri-City Herald
Seattle/Puget Sound
Post-Intelligencer • Times
AP • UPI • Reuters
Business Week Bureau
KING-TV • KIRO-TV
KOMO-TV • KSTW-TV
KIRO-AM • KMPS-AM & FM
KOMO-AM • KSEA-FM
Asia Pacific Journal
Daily Journal of Commerce
Marples Business Newsletter
Puget Sound Business Journal
Washington CEO

Spokane
Spokesman-Review/Chronicle
AP
KHO-TV • KREM-TV
KXLY-TV • KXLY-AM
KSBM-AM
Journal of Business
Tacoma
Morning News Tribune

National NewsLines

WASHINGTON (cont'd)

Vancouver
Columbian
Walla Walla
Union-Bulletin
Wenatchee
World
Yakima
Herald-Republic

WEST VIRGINIA

Beckley
Register-Herald
Bluefield
WVVA-TV
Charleston
AP • WCHS-TV.
Daily Mail • Gazette
Clarksburg
Exponent • Telegram
WBOY-TV
Huntington
Herald-Dispatch • WOVK-TV
Martinsburg
Journal
Morgantown
Donalson-Post
Metro News Radio Network
Oak Hill
WOAY-TV
Parkersburg
News • Sentinel
Wheeling
Intelligencer • News-Register
WTRF-TV
WOVK-FM • WVVA-AM

WISCONSIN

Appleton
Post-Crescent
Green Bay
Press-Gazette
News Chronicle
LaCrosse
Tribune
Madison
Capital Times • State Journal
UPI • Wisconsin Radio Network
Milwaukee
Journal • Sentinel
Daily Reporter • AP • UPI
WISN-TV • WTTI-TV • WTMJ-TV
WOKY-AM/WML-FM
WTMJ-AM/WKTI-FM
Business Journal
Community Newspapers
Oshkosh
Northwestern
Racine
Journal Times
Sheboygan
The Press

WYOMING

Cheyenne
Wyoming Eagle-State Tribune

The following Business, Trade and Special Interest Publications receive all appropriate news releases transmitted on PR Newswire. These points are included at no additional charge with all US1 distributions.

Advertising/Marketing
Advertising Age
Adweek
Greea Marketing Report
Premium/Incentive Business

Aerospace/Aviation
Aerospace Daily
Aerospace Electronic Business
Aerospace Review
Air Transport World
Airports
Aviation Daily
Aviation International
Aviation Ground Equip. Market
Aviation Production Eng.
Aviation Times
Aviation Week & Space Tech.
Avionics
Bus. & Commercial Aviation
Defense Aerospace Bus. Digest
Helicopter News
Interavia Aerospace Review
Interavia Air Letter
International Aviation
Jane's Airport Review
Military Space
Regional Aviation Weekly
Space Business News
Space Commerce Bulletin
Space Markets
Space Station News
Speednews
The Weekly of Bus. Aviation
World Aviation Directory

Automotive/Transportation
Automotive Electronics Journal
Automotive Industries
Automotive News
Commercial Carrier Journal
Crain's Tire Business
Motor/Age
Motor Trend
Owner Operator
Power Transmission Design
Road & Track
Urban Transport News
Ward's Auto World
Ward's Automotive Reports
Ward's Engine Update

Building/Engineering
Architectural Record
Construction Claims Monthly
Construction Data & News
Contract
Daily Pacific Builder
Dodge Construction News
ENR
Int'l Construction Week
Interiors
Kitchen & Bath Business
Multi-Housing News
National Home Center News
The Daily Journal

Business and Finance
American Banker
American Marketplace
Atlanta Business Chronicle
Bank Letter
Bank Loan Report
Bank Systems & Technology
Banker & Tradesman
Banking Week
Barron's
Bond Buyer
Bond World
Boston Business Journal
Branch Automation News
Branch Manager
Business Week
Card News
Charlotte Business Journal
Cincinnati Business Courier
Cincinnati Business Reporter
Columbus Business First
Corporate EFT News
Corporate Financing Week
Crain's New York Business
Crain's Cleveland Business
Crain's Detroit Business
Dowline
EFT Report
Equities
Fair Employment Report
Finance & Commerce
Financial News & Daily Record
Financial Services Report
Financial Services Week
Financial Times of London
Financial Weekly
Financial World
Fitch Investors Service
Forecasts & Strategies
Fortune

German Economic News Serv.
Going Public: The IPO Reporter
Hartford Business Journal
Indianapolis Business Journal
Industry Week
Institutional Investor
Investment Dealers' Digest
Investor's Business Daily
Item Processing Report
Jacksonville Business Journal
Japan Economic Journal
Journal of Commerce
Journal of Retail Banking
Los Angeles Business Journal
Louisville Business First
Memphis Business Journal
Mergers & Acquisitions Report
Middle-Market Focus
Milwaukee Business Journal
Money
Money Management Letter
Moody's Investors Service
Mortgage-Backed Securities Ltr
Nashville Business Journal
Orange County (CA) Bus. Jnl
Orlando Business Journal
Private Placement Letter
Puget Sound Business Journal
S&P Compustat
S&P Daily News Online
S&P MarketScope
San Diego Business Journal
San Diego Daily Transcript
San Francisco Business Times
San Jose Business Journal
SNL Securities
Securities Trader's Monthly
Securities Week
Securities International
Spokane Journal of Business
Standard & Poor's
The Southern Banker
The World Bank Watch
Toledo Business Journal
Triad Business
Triangle Business
Wall Street Journal
Washington Business Journal

Electrical/Electronics

Architectural Lighting
Circuits Assembly
Electronic Component News
Electronic Design
Electronic Marketing News
Electronics
Electric Utility Week
Electrical World
Fiber Optics News

Chemicals/Plastics

Chemical Business
Chemical Engineering
Chemical & Engineering News
Chemical Marketing Reporter
Chemical Week
Modern Plastics
PetroChemical News
Plastics and The Environment
Plastics and Packaging
Plastics News
Plastics Week
Rubber & Plastic News

Defense

Advanced Military Computing
C4I Report
Defense Cleanup
Defense Daily
Defense Industry Report
Defense Marketing Int'l
Defense News
Defense Plant Waste News
Defense Technology Business
Defense Week
International Defense Review
Jane's Defense Weekly
Jane's NATO Report
Navy News and Undersea Tech
Report on Def. Plant Wastes
SDI Intelligence Report
SDI Monitor
Soviet Intelligence Review

Entertainment/Broadcasting

American Film
Amusement Business
Audio Week
Billboard
Communications Daily
DBS News
Hollywood News Calendar
Hollywood Reporter
Millimeter
Mobile Satellite Report
Optical & Magnetic Report
Public Broadcasting Report
Satellite News
Satellite Week
Television Digest With
Consumer Electronics
Variety
Via Satellite
Video Technology Newsletter
Video Week

Environmental

Air Toxics Report
Air/Water Pollution Report
Asbestos Control Report
Clean Water Report
Environmental Health News
Environmental Liability Mon.
Greenhouse Effect Report
Ground Water Monitor
Hazardous Waste Business
Hazardous Waste News
HazTech News
Multinational Environmental
Outlook
Nuclear Waste News
Sludge
Solid Waste Report
State Environment Report
Superfund
Toxic Materials News
Toxic Materials Transport

Food

Baking & Snack Systems
Baking Buyer
Milling & Baking News
Food Engineering
Food Engineering International
World Grain

Health/Medicine

Biotechnology Newswatch
Contact Lens Forum
Cardio
Diagnostic Imaging
Diagnostic Imaging Int'l
Health Care Competition Week
Health Grants & Contracts
Health Week
Hospital Patient Rel. Report
Managed Care Law Outlook
Managed Care Outlook
Medical Liability Advisory
Medical World News
Medical Waste News
Mental Health Law Report
Mental Health Report
Nursing Recruitment & Ret.
Ophthalmology Management
Optometric Management
Physician's Financial News
Postgraduate Medicine
Review Of Optometry
Senior Patient

High Technology

AI Expert
Asian Electronic Union
Australian Personal Computer
BOC Week
Byte
Byte Weekly
C3I
Circuit Design
Circuits Manufacturing
Comm. Engineering & Design
Communications Daily

Communications Week

Communications Week Int'l
Computable
Compute!
Compute's Gazette
Computer Age-EDP Weekly
Computer-Aided Engineering
Computer Design
Computer Design News
Computer Graphics News
Computer Language
Computer Reseller News
Computer Systems News
Computer Weekly
Computers in Banking
Computerworld
Computing Australia
Data Communications
Data Entry Awareness Report
Data News
Database Products Reports
Database Programming & Des.
Datacom
Datapro Comm. Perspective
Dataquest
DBMS
DEC User
Dempa Digest
Digital News
Digital Review
Dist. Processing Product News
Dr. Dobb's Journal
EDI News
Education Computer News
Electronic Buyers' News
Elect. Buyers' News Handbook
Electronic Engineering Times
Electronic Media
Electronic Messaging News
Electronic News
Electronics Opp
Electronics Test
Elect. Trade & Transport News
Electronics Weekly
Electronic World News
Embedded Syst. Programming
EOS/ESD Technology
Federal Computer Week
FCC Week
Firstfax
Gartner Group
Graphic Detail
Government Computer News
IBM Computer Today
IDG News Network
Information Week
Informatique Hebdo
Infoworld
Insurance Software Review
Intelligent Network News
International Data Corp.
ISDN News
Journal Of Electronic Eng.
Journal Of Electronics Industry
LAN Magazine
LAN Technology
Laser Focus World

Laser Report

MacWeek
VIC Info
Military Fiber Optic News
Mobile Phone News
Modern Office Technology
Multichannel News
Network Computing
Network Management Systems
Network World
Netline
Officeation Product Reviews
OSI Prod. and Equipment News
PC+
PC Dealer
PC Magazine
PC Week
Packaged Software
Personal Workstation
Perspective
Printed Circuit Fabrication
Report on AT&T
Report on IBM
Retailing Tech. & Operations
Satellite News
SNA Communications Report
Software Industry Report
State Telephone Reg. Report
Systems Integration
Business & Marketing
Telecom Market Letter
Telecom Strategy Letter
Telephone News
Telephony
Training Electronics
Tribuna Informatica
UNIX Review
UNIX Today
UNIX World
VAR Business
Voice Technology News
Wall Street Computer Review

Industrial/Design

Automation
Industrial Maintenance
& Plant Operation
Machine Design
Material Handling Engineering
Materials Engineering
New Equipment Digest
Performance Materials
Product Design & Development

Jewelry

American Jewelry Manu.
Jewelers' Circular-Keystone
National Jeweler

National NewsLines

Mining/Metals

33 Metal Producing
 American Machinist
 American Metal Market
 Casting Design & Application
 Coal Outlook
 Coal Statistics International
 Coal Week
 Coal Week International
 Foundry Management & Tech.
 Heat Treating
 Iron Age
 Metal Center News
 Metals Week
 Mine Regulation Reporter
 Welding Design & Fabrication
 Welding Distributor

Oil/Energy

Coal & Synfuels Technology
 Electric Utility Week
 Energy User News
 Fusion Power Report
 Gas Buyers' Guide
 Gas Daily
 Gulf Coast Oil World
 Inside Energy With Fed. Lands
 International Oil News
 International Solar Energy
 Intelligence Report
 Natural Gas Marketing
 Northeast Oil World
 Northeast Power Report
 Nuclear Fuel
 Ocean Oil Weekly Report
 Offshore
 Offshore Gas Report
 Oil & Gas Journal
 Oil & Gas Investor
 Oil, Gas & Petro. Equipment
 Oilgram News
 Platt's News Service & Pubs
 Power
 Power Engineering
 Southwest Oil World
 The Energy Report
 The PT Distributor
 U.S. Oil Week
 Western Oil Week

Real Estate/

Building Maintenance
 Commercial Property News
 Commercial Record
 Facilities Design & Mgt.

Restaurants/Food Service

Nation's Restaurant News
 Restaurant Hospitality
 The Foodservice Distributor

Retailing

Chain Drug Review
 Chain Store Age Executive
 Discount Store News
 Drug Store News
 Garden Supply Retailer
 Gift & Stationery Business
 HPD Weekly Home Furnishings
 Hardware Age
 Home Fashions Magazine
 Inside Retailing Newsletter
 Mass Market Retailers
 Retailing Tech. & Operations
 Supermarket News

Safety

Emergency Preparedness News
 Industrial Safety & Hygiene
 Occupational Hazards
 Occupational Health & Safety

Schools/Education

Business Education World
 Education Daily
 Education Monitor
 Education of the Disadvantaged
 Education of the Handicapped
 Nation's Schools Report
 Preschool Perspectives
 Report on Education of the
 Disadvantaged
 Report on Education Research
 Report on Preschool Programs
 School and College
 School Child Care Report
 School Law News
 School Tech News
 Student Aid News
 Vocational Training News

Sports/Recreation

Action Sports Retailer
 Golf Pro Merchandiser
 Outdoor Retailer
 Sporting Goods Business
 Sportstyle
 Tennis Merchandiser

Textiles/Apparel

Apparel Merchandising
 Children's Business
 Daily News Record
 FN Magazine
 Footwear News
 Home Textiles International
 Impressions Magazine
 Nonwovens World
 M
 Women's Wear Daily
 W

Travel/Tourism

Business Travel News
 Corporate Travel
 Lodging Hospitality
 Meeting News
 Resorts & Incentives
 Tour & Travel News
 Travel Agents Market Place
 Travel Management Daily
 Travel People
 Travelage Caribbean
 Travelage East
 Travelage Europe
 Travelage Midamerica
 Travelage West

Wood/Paper

Forest Industries
 Pulp & Paper
 Pulp & Paper International
 Pulp & Paper Week
 World Wood

NATIONAL AFFAIRS NEWSLINE

Washington, D.C.

National/

Washington Newspapers
Washington Post
Washington Times
New York Times
Wall Street Journal
USA Today
Journal Newspapers

Wire Services

Associated Press
United Press International
Reuters
Dow Jones
Kyodo News Service
Agencia EFE
Agence France-Presse

News Weeklies

U.S. News and World Report
Time Magazine
Business Week
Newsweek

Newspaper Bureaus

Baltimore Sun/Evening Sun
Boston Globe
Boston Herald
Buffalo News
Chicago Sun-Times
Chicago Tribune
Cleveland Plain Dealer
Dallas Morning News
Denver Post
Des Moines Register
Detroit News
Houston Chronicle
Houston Post
Los Angeles Times
Milwaukee Journal
Minneapolis Star-Tribune
New York Newsday
New York Daily News
New York Post
Orlando Sentinel
Providence Journal
San Francisco Chronicle
San Francisco Examiner
Seattle Times
St. Louis Post-Dispatch
St. Petersburg Times

Newspaper News Services (serving 700+ dailies)

Cox
Donrey Media Group
Gannett
Hearst
Knight-Ridder
Media General
Newhouse Newspapers
Ollaway Newspapers
Scripps-Howard
States News Service
Tribune Newspapers
Thomson Newspapers

National Broadcast Networks

Radio
ABC
CBS
NBC/Mutual Broadcasting
National Public Radio
Unistar
Business Radio Network
AP Radio
UPI Radio

Television

ABC
CBS
NBC
CNN
C-Span
Fox
Good Morning America

Washington Television and Radio

WRC-TV
WJLA-TV
WTTG-TV
WUSA-TV
WTOP-Radio
WMAL-Radio
WPGC-Radio

Special Publications

Bureau of National Affairs
McGraw-Hill Publications
Journal of Commerce
Commerce Clearing House
Capitol Publications
Japan Economic Journal
Defense Week
Defense Daily
Washington Business Journal
Financial World Publications
King Publishing Group
AFL-CIO News
Army Times
Navy Times
Air Force Times
Federal Times
Press Associates-
Labor News Service

Brewers Association of Canada Media List ~~CONFIDENTIAL~~

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5/13/93

#10

Keith Bradsher
New York Times
202/862-0375
862-0340

Bob Davis/Asra Nomani
Wall Street Journal
202/862-9258
862-9266

Peter Behr
Washington Post
202/334-6000
334-5564

David Sands
Washington Times
202/636-3178
269-3419

John Maggs
Journal of Commerce
202/383-6112
383-6121

Jim Berger
Washington Trade Daily
301/946-0817
942-4708, 946-2631

Edward Alden
Inside U.S. Trade
703/892-1014
703/685-2606

Alan Stowell
BNA Int'l Trade Reporter
703/892-1014
202/822-8092

Scott Sonner
Associated Press
202/828-6400
828-6422

Nancy Waitz
Reuters Information Services, Inc.
202/898-8300
863-1049

Page Two
Canadian Media list

Doug Harbrecht
Business Week
202/383-2205
383-2125

Rod McQueen
Financial Post
202/842-1190
289-5475

John Saunders
Globe and Mail
202/662-7165
662-7336

Jim Bovard
Freelancer
301/881-4896
301/881-5898

Laura Eggertson
Canadian Press Wire
202/223-4367
728-0348

Barbara Sweet
Thomson Newspapers
202/628-2157
347-5017

Mike Omelus
Broadcast News Limited
728-0348

Pat Skinner
Canadian TV (CTV)
296-2025

Helene Parenteau
CBC
783-9321

Marie Tison
Press Canadienne
202/785-0225
728-0348

Carl Hanlon
Global TV
898-1237



Brewers Association of Canada

The National Association of the Brewing Industry

May 13, 1993

For More Information, Contact
Doug Lowenstein, Edith Wooten
202/457-9270

Trade Officials Say Beer Talks Will Resume Canadian Brewers Urge Negotiated Settlement to Dispute

Washington, DC -- The Brewers Association of Canada applauded Canadian and American trade officials today who said that they would resume negotiations on the beer dispute on May 20-21 in Washington, which could result in the lifting of huge tariffs that are now imposed on beer flowing from both sides of the border.

"We hope that we can reach an agreement that is commercially viable to the industries and that will put this matter to rest once and for all," said Dan Gagnier, President of the Brewers Association of Canada. "If this dispute is left unresolved, or if it escalates, it has the potential to cause serious damage to industries in both countries."

Following is a background paper that gives a historical perspective of the dispute.

-- END --

American Canadian Beer Issues: A Background Paper

Executive Summary

- * The issues in the United States-Canadian beer trade dispute do not revolve around whether Canada will meet its GATT (the General Agreement on Tariffs and Trade) obligations. Canada has not only committed to do so, but it has proceeded with implementation of the April, 1992 Agreement In Principle (AIP) with the United States, notwithstanding the United States Trade Representative's (USTR) imposition of penalty duties on Canadian imported beer.
- * Instead, the issue involves U.S. dissatisfaction with Canada's right to decide how to comply with its GATT obligations. It is about American unhappiness that some U.S. brewing companies have not gained the commercial advantages they were seeking in the Canadian market, advantages that go far beyond what GATT says they're entitled to.
- * As a result of ongoing 301 retaliation against Canada spawned by this U.S. dissatisfaction, industries on both sides of the border are being hurt. In light of this, it is only prudent to explore all available opportunities for resolving the dispute.
- * The United States is now in violation of GATT by virtue of its failure to receive GATT authority to retaliate.
- * Twice in the last eight months Canada has suggested submitting the outstanding issues to binding arbitration. The United States has rejected both these offers and is now proposing direct negotiations instead. Canada has agreed to direct negotiations to resolve the conflict.
- * After successfully negotiating to open a market that U.S. brewers have estimated could potentially bring \$200 million in sales and more job security to brewery workers, the United States instead has allowed existing sales to dry up. Ironically, U.S. intransigency and the imposition of retaliation by the United States Trade Representative has hurt the very industry it was supposed to help, the United States, brewers and their employees.

* President Clinton and Vice President Gore have voiced strong support for reuse, recycling and other measures to reduce solid waste. Here it should be noted that the previous Administration's effort to force Ontario to rescind the environmental levy (see below) appears inconsistent with the new Administration's environmental objectives.

* In its arguments, the U.S. is attempting to frame the issue around transporting the way it sells and distributes alcoholic products. GATT clearly states that the objective is that all products be treated equally, and Canada is ready and willing to comply. In addition, the Canadian approach to alcoholic beverage sales is built on a tradition that is several decades old and has many attributes that the United States may desire. A few are:

1. A high level of revenues from taxes generated from the sales of alcoholic beverages which fund Canada's comprehensive and universal health care system;
2. The most comprehensive and environmentally sensitive beverage container recycling and reuse system in the world (as opposed to the American system in which 80 percent of the beverage containers end up as waste); and
3. A much lower incidence of alcohol related criminal offenses.

Background

The Free Trade Agreement

In 1987 The United States and Canada signed the Free Trade Agreement, an historic document that opened up trade between the two countries, the world's largest trading partners. In Canada, the sale and distribution of beer is regulated by the provinces, a practice dating back to 1927. This system, analogous to the United States' system, with state sovereignty over the sale of alcoholic beverages, created many inefficiencies. For example, in order to sell beer in a province, a Canadian brewer was required to have a brewery located there. One result was a country populated by many small breweries and many different local brands creating an inefficient market as brewers were unable to capture the economies of scale associated with a more open market. For this reason, it was difficult for Canada to include beer in the Free Trade Agreement. Similar situations existed in the United States, for example the U.S. domestic sugar industry, which was also excluded from the FTA. In its case, Canada properly feared that permitting the larger, more efficient U.S. brewers into the Canadian market, without prior removal of barriers to interprovincial trade and time to adjust, would destroy the domestic brewing industry. Agreement was reached in the negotiations to "grandfather" the existing provincial marketing practices affecting beer.

The European GATT Complaint

Prior to the Free Trade Agreement, the European Community had filed a complaint against Canada with the General Agreement and Tariffs and Trade (GATT). However, the case was primarily about wine and spirits and did not address many of the major issues raised by the U.S. in its beer complaint. The case was resolved and Canada agreed to comply with the GATT ruling and has completed many legislative and regulatory changes to ensure GATT consistency.

Beer I

In the late summer and fall of 1990 two American brewers, G. Heileman Brewing Company and the Stroh Brewery Company, filed a complaint with the United States Trade Representative that certain Canadian provincial pricing and distribution practices were unfair to American brewers and violated international trading laws. The complaint was filed pursuant to section 301 of the Trade Act of 1974, as amended. The USTR took its case to the GATT, and in late February, 1991 the international trading body established a dispute settlement panel to resolve the differences over beer.

In October 1991 the GATT panel identified several measures that it found to be inconsistent with international trading rules and provided Canada with a series of deadlines to respond to the report and to comply with its recommendations. The GATT panel found that the following practices violated international trading rules and recommended that Canada make changes in:

1. Access to retail points of sale;
2. Private delivery of imported beer to retail outlets; and
3. Minimum pricing that is fixed in relation to the prices of domestic beer.

GATT found that the following practices were not inconsistent with international trading rules (in other words, GATT said these practices were legitimate and Canada was within its rights in maintaining them):

1. Differential mark-ups, which reflect the higher costs of handling imported beer, including those based on cost-of-service charges;
2. Methods of assessing mark-ups and taxes on imported beer;
3. Taxes on beer containers; and
4. Notification procedures for new practices.

Significantly, GATT ruled that Canada, like any other country, has the right to tax as long as it did not discriminate against foreign products. For example, some provincial governments used price as a control mechanism for social policy reasons and marked up the price of beer to moderate consumption. As long as price controls are equally applied and fair, the panel said, they are GATT-consistent. The Canadian system is largely based on government retailing, and in some areas, government distribution as well. In its report on Canadian practices, the GATT Panel clearly recognized the right of provincial liquor boards as the sole importer of alcoholic beverages into their jurisdiction. Beyond that, all products must be treated equally and have equal access to retail outlets.

On December 23, 1991, saying that the U.S. and Canada had not yet reached a satisfactory resolution, United States Trade Representative (USTR) announced its intention to impose "substantially increased duties on beer..." if a compromise was not reached by April 10, 1992. The United States justified this action under Section 301 of its Trade Act of 1974, which enables it to take punitive steps beyond those allowed by the GATT.

In late March, 1992 after adopting the GATT report and committing itself to meeting the timeframes specified, Canada released its plan to be in full compliance with GATT by March 31, 1995. Despite the constitutional conventions involved, the Canadian provinces agreed with the federal government to alter their practices to ensure compliance.

The Agreement-in-Principle

On April, 25, 1992, The United States and Canada signed an Agreement-in-Principle to resolve Beer I. Canada agreed to come into compliance with all of GATT's recommendations 18 months before the GATT-imposed deadline of three years.

By June 30, 1992 Canada agreed to:

1. Remove the general costs component from the cost of service;
2. Remove differential markups on beer;
3. Remove the prohibition on imported beer being sold in larger package sizes where that right is accorded to domestic products; and
4. Undertake GATT's recommendation to change the minimum pricing systems so that they are not set in relation to the prices at which domestic beer is supplied.

By September 30, 1993, Canada agreed to:

1. Provide equivalent competitive opportunities to imported beer with respect to access to points of sale; and
2. Provide equal opportunity to imported beer on delivery from provincial warehouses to points of sale.

The two countries have been unable to agree on the implementation of the agreement in principle.

Ontario Environmental Levy

In April 1992, Ontario announced a budget measure to increase (from five to 10 cents) the environmental levy on non-refillable alcoholic (including beer, wine, and spirits) beverage containers, whether domestic or imported. As noted earlier, the GATT panel had found in Beer I that this levy was not GATT-inconsistent (in other words, it was legitimate). While the original levy applied only to containers that were not part of a deposit-return system, the revised levy applied to all alcoholic beverage non-refillable containers. As a result, domestic beer containers which were not previously covered (about 20 percent of domestic beer sold) were now subject to the levy. To accommodate American concerns, Ontario provided foreign manufacturers with three options to expedite the sale of imported beer in refillable containers and established an interim refillable container return and collection system until access to Brewer Retail Inc. outlets is completed. U.S. officials have complained that since the levy increases the cost of American beer shipped in cans, it is a violation of the GATT. That is not a legitimate claim, as the levy applies equally to Canadian beer, and can easily be avoided by using refillable containers. And most of the levy, up to \$48 million of the \$55 million, would be borne by Canadian brewers.

To answer assertions that this levy is a trade barrier because it doesn't apply to the soft drink sector, GATT does not require container conformity. GATT specifically stipulates that all mandates must be applied equally to all products, both domestic and imported, in the same sector. Since alcoholic beverages and soft drink beverages are different sectors, the environmental levy is GATT-consistent. By implementing a separate quota system to control the growth of non-refillable containers in the soft drink sector, Canada has developed and maintained for several years another system for reducing waste.

Many American and Canadian environmental groups disagreed with the United States Trade Representative's assessment of the environmental tax. The Ontario government supported by leading environmentalists in both countries said that studies proved that the province's distribution system, which was substantially comprised of

refillable bottles, generated less waste. A very small portion of the 2.2 billion beer bottles and cans purchased by Ontario consumers each year end up in landfill sites, published reports said. In an interview with the Toronto newspaper, The Globe and Mail, Zen Makuch, a lawyer with the Canadian Environmental Law Foundation, blasted the United States for trying to dilute their environmental efforts. "Frankly, the U.S. system should not be imposed on us, when ours is more environmentally sound," he said. Several American environmental groups, including the National Environmental Law Center and the Container Recycling Institute, wrote the United States Trade Representative voicing their opposition to the USTR's attack on the tax on non-refillable alcoholic beverage containers. Nonetheless, the United States claimed that the levy was an artificial trade barrier designed to inflate the costs of American imports. The Canadians disagreed, noting the irony of the American demand to remove the levy while it negotiates a side deal to NAFTA that will protect domestic environmental standards. Another unfairness is that the U.S. is attacking a provincial environmental levy when many of its states have similar regulations. For example, many states (including New York, Minnesota, Maine, Michigan, Oregon, and Rhode Island) have implemented environmental regulations that discriminate among beverage containers based on packaging type and in particular support refillable containers. It appears that some objections to the environmental levy are in part based on concerns that equivalent measures may spread to other jurisdictions within the United States.

Retaliation

On July 24, the United States Trade Representative imposed a 50 percent ad valorem tax on all beer brewed in Ontario, citing the environmental levy and the maintenance of an import monopoly for beer¹ (both judged by the GATT panel not to be GATT-inconsistent). Shortly afterwards, Canada counter-retaliated, imposing a tariff on Heileman and Stroh products entering Ontario.

The Canadians were especially angered by this action. They felt that they had lived up to their end of the bargain by working diligently with the provinces to comply with GATT. Ontario led the other provinces in opening up its market and was significantly ahead of the GATT deadline. A few weeks prior to the American decision

¹ The U.S. contended that cost-of-service charges for imported beer to be shipped to and stored in provincially-owned warehouses were discriminatory. However, in Beer I, GATT had ruled that Canada can maintain import monopolies and charge for these services as long as these charges are in line with the service provided. Nowhere did GATT imply that domestic beer must be handled in the same way. Canada has operated import monopolies on alcoholic beverages since 1927, and in its response to Beer I before the GATT Council it announced its intention to continue to operate the monopolies within the provisions of the GATT.

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to retaliate, Ontario had voluntarily decided to allow imported beer access to the same retail outlets as domestic products by June 30, 1993, four months before the Agreement-in-Principle deadline. Many of the other provinces were well on their way to removing trade barriers, as required by GATT.

By July 1992, Canada had:

1. Established uniform pricing systems which do not discriminate against imports; and
2. Eliminated differential taxation and mark-up charges and replaced them with equal charges to all products, whether domestic or foreign.

Beer II

Still at issue, is the resolution of Canada's own GATT complaint, or Beer II, which was initiated in February 1991 and cites numerous American laws and regulations at the federal and state level that discriminate against Canadian products. Practices cited include: preferential federal excise tax rates for domestic beer and wine; state sales tax exemptions for in-state brewers and vintners; preferential distribution systems for in-state brewers and wineries; preferential access to points of sale; and preferential transportation systems.

The GATT panel examining these Canadian complaints about U.S. practices found that most of the measures cited by Canada violated international trading laws.

On June 19, 1992, the U.S. agreed to comply with the GATT report. Because it feared the federal government's trade policy would endanger their ability to tax, regulate, or protect their industries, the National Governors' Association (NGA) adopted a resolution establishing the need for a system to give them a greater role in developing and managing U.S. trade policy. Several speakers at the NGA's annual conference referenced Beer II and expressed concerns that the USTR would negotiate away the tax and economic practices they had established to protect local wholesalers and small breweries.

Industry groups also expressed their concern about the dispute and the damage it would cause if it remained unresolved. Several (including the International Distillers & Vintners North America, the National Association of Beverage Importers, the Distilled Spirits Council of the United States, and the National Beer Wholesalers Association) wrote the United States Trade Representative urging negotiation and settlement.

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Recent Developments

Hoping to open up negotiations that would lead to a settlement, Canada has for some time offered to settle the dispute with binding arbitration by a third party, either through GATT or the Canada-United States Free Trade Agreement. Two separate arbitration proposals were put forward by Canada, the second of which was crafted specifically to address concerns expressed by the United States on Canada's first proposal. The United States rejected both proposals, saying the issues in dispute have already been adjudicated in the GATT. Just recently, the United States has proposed direct negotiation to resolve the dispute. Canada has agreed to engage in a set of negotiations and hopes to come to a mutually satisfactory resolution of all the outstanding issues.

11

THE CANADA-U.S. BEER TRADE DISPUTE-AN ONTARIO PERSPECTIVE

by the Honourable Marilyn Churley, Minister of Consumer and Commercial Relations for the Province of Ontario, Canada.

A great deal has been said recently about the Canada-U.S. dispute on beer and the associated environmental levy. I would like to put this into perspective and, for the benefit of our valued U.S. neighbors and trading partners, outline Ontario's approach to this very important issue.

I say important because it is more than beer we are talking about - it is also the environment; it is the way a country or culture treats issues that affect the health of its citizens; it is encouraging good business relations between two countries; and it is the expectation that both parties need to honour rulings of an impartial tribunal such as the General Agreement on Tariff and Trade (GATT). Perhaps most important, it is recognizing that we are different and need to respect one another's differences - especially when we are doing business in one another's back yard.

Let me begin by saying that Ontario wants this dispute to be settled. We welcome more competition and understand the U.S. interest in achieving better access and a greater competitive pricing advantage in the Ontario beer market. It is in everyone's interest to negotiate a

solution to the business issues now on the table. However, we need to do it in a way that does not undermine legitimate Ontario environmental and social objectives. We also have to respect the sovereignty of each country's laws and practices.

With entry into our privately owned brewers' distribution network, U.S. brewers will be able to take advantage of one of the most highly efficient container and packaging systems in the world - boasting 67 years of experience and the most successful container recovery system in the world. The system enjoys an over 99 percent return rate for bottles.

For Ontario, encouraging the use of refillable bottles is essential. Since 1927, this system has diverted over 60 billion bottles from the waste stream - an amount of glass, if laid end to end, that would reach to the moon and back 13 times. The average Ontario beer bottle is reused approximately 15 times.

Health costs and socially responsible consumption are also critically important issues to Ontarians. Revenue from taxation of alcohol helps pay for Ontario's very comprehensive health and social services programmes. Our different approaches to regulating and controlling alcohol serve our citizens well, are lauded around the world and are worth preserving.

I want to say to the U.S. beer industry that we welcome the sale of

your beer in Ontario -- we welcome it on the fair and non-discriminatory terms sanctioned by GATT.

The environmental levy applies to everyone selling beer, wine and spirits in Ontario in any container that is not refillable -- it is not discriminatory. It is an incentive to use environmentally sound containers.

We are giving U.S. brewers fair and equal access to the Ontario market, with a population of some 10 million people, through an efficient retailing system, consisting of some 600 government owned stores and over 400 private stores in the brewers' distribution network. In fact, U.S. beer has been sold in government stores for many years.

Other pricing and distribution practices have been amended as well. These changes will create better conditions for foreign brewers selling their product in Ontario's large, efficient and environmentally conscientious private distribution system.

The Agreement-in-Principle negotiated in 1992 by Canada and the U.S. provided for an 18 month transition period to September 30, 1993 for certain changes to provincial beer policies. Ontario has tightened this timeframe. It has established a regime where all beer will be priced under one single system and treated equally. Legislation has been introduced in the Ontario Legislature designed to ensure access by foreign brewers to the private beer store network. We are

committed to meeting our trade obligations.

As we amend those old practices considered unfair by our international competitors in the past, we expect our partners to be willing to do the same. To be blunt, I am very disappointed that the U.S. has been slow in responding to the findings of a 1991 GATT panel on American treatment of Canadian beer. The panel concluded that U.S. federal taxes together with practices in 39 states-- affecting the distribution, taxation, listing, pricing, access to points of sale, and transportation of Canadian beer, wine, and cider -- actively discriminate against Canadian beer. To date, none of these illegal and unfair practices have been corrected, nor has a timeframe been set by the U.S. to finalize these important issues.

This is Ontario's perspective. We want to settle this dispute. We want to settle it in a way that fulfills our obligations to the environment, to socially responsible consumption and to fair trade.

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May 1993

Ms. Churley was elected to the Ontario Legislature on September 6, 1990 and represents the Toronto riding of Riverdale. She was appointed to the Ontario cabinet on March 18, 1991 as Minister of Consumer and Commercial Relations, with responsibility for regulation of beer and other alcoholic beverages.

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U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

12

INTRODUCTION AND BACKGROUND

This report identifies many examples of U.S. environmental legislation analogous to Ontario's environmental levy on non-refillable alcohol beverage containers. These U.S. regulations are, in essence and effect, the same as the environmental levy. This report thus examines the claims of the United States Trade Representative (USTR) that the environmental levy is unfair and inappropriate in light of the nature of similar U.S. regulations. This report concludes that the USTR's position against the Ontario Environmental Levy is unjustified.

THE HISTORY OF THE LEVY

In May 1989, Ontario's Treasurer, Robert Nixon, introduced a 5¢ per container environmental levy on all beverage alcohol containers not part of a comprehensive deposit/return system. The ruling government at that time was the Liberal administration under Premier David Peterson. Under this levy, U.S. beer, wine and spirits were charged the 5¢ fee, while Canadian beer was not charged the fee.

In September 1990, the New Democratic Party led by Bob Rae was elected to govern the province on a strong environmental platform. The following spring, the N.D.P. treasurer, Floyd Laughren, modified the environmental levy to include all non-refillable beverage alcohol containers and increased the amount of the levy from 5¢ to 10¢. In making these changes, the government reiterated its commitment to advancing environmental policies in support of the 3Rs hierarchy with particular emphasis on reducing waste and reusing materials to the greatest extent possible. The Minister of the Environment, Ruth Grier, spoke frequently and strongly in favour of refillable beverage containers on environmental grounds. The revised levy does not distinguish between imported and domestic alcohol beverage containers as the previous version of the levy had. Any container not part of a refilling system is levied the 10¢ fee, including hundreds of millions of non refillable Ontario beer containers that were previously exempt.

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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THE U.S. DISPUTES THE VALIDITY OF THE LEVY

The United States, through its trade representative, alleges that the levy is really a disguised trade barrier, not a legitimate environmental measure. The USTR argues:

- that the levy is not applied evenly because it applies only to alcohol beverages and not soft drinks;
- that the levy is aimed at the U.S. canned beer market because it may make U.S. canned beer less competitive; and
- that one study shows the refillable container is not environmentally superior to recyclable cans.

Using this rationale, the U.S. has placed a 50% duty on Ontario beer. They have done so:

- despite the GATT position that the levy is legitimate and fair;
- despite the equal application of the levy independent of country or province of origin of the product;
- despite similar and even stronger, legislation in other provinces and European countries;
- despite the very different nature of the alcohol beverage retailing system in Ontario compared to virtually every state in the U.S. where alcohol beverages compete with soft drinks and milk on retail shelves; and
- despite the substantial body of environmental evidence favouring refillables and the absurdly flawed "secret study" that purported to show an equivalence of refillables with recyclables (only selected results and error filled assumptions were ever released for this "study").

But most interestingly, the U.S. has implemented the 50% duty despite the large number of U.S. regulations that do precisely what they accuse the Ontario levy of doing. This report focuses only on such regulations.

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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It is ironic that the USTR demands Ontario roll back a policy decision that supports high environmental packaging standards. At the same time, the USTR, acting on orders from President Clinton, is negotiating an environmental side deal to the NAFTA agreement to assure that U.S. environmental standards will not be eroded by free trade with Mexico.

THE NATURE OF U.S. ENVIRONMENTAL REGULATIONS ANALOGOUS TO THE ONTARIO ENVIRONMENTAL LEVY

The United States and its individual states have numerous environmental regulations that:

- ① discriminate among beverage containers based on packaging type so as to create incentives to use certain packaging materials and formats over others;
- ② impose environmental standards or requirements which create a disparate negative impact on the cost or availability of imported products compared to domestic U.S. products; and
- ③ are based on environmental lifecycle analysis that are considered by many industry competitors as being in dispute.

In short, these are the same three arguments that the USTR uses to "prove" the Ontario environmental levy is a disguised trade barrier. If that were true, however, many U.S. jurisdictions are more "guilty" than Ontario in this respect and for far more than just beverage container packaging.

The regulatory examples below are not presented to suggest that they are in any manner unfair or inappropriate. This report does not judge whether the environmental regulations are correct. Within reason, every jurisdiction has the right to enact environmental regulations appropriate for that jurisdiction. Unless there is a compelling reason to believe that the listed regulations are unjust, one must take them at their face value, as environmental protection regulations.

**U.S. Environmental Regulations Comparable
to the Ontario Environmental Levy**

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THE THREE CATEGORIES OF REGULATION

① ENVIRONMENTAL REGULATIONS ON BEVERAGE CONTAINERS THAT DISCRIMINATE BASED ON PACKAGE TYPE

AN IDENTICAL MEASURE TO THE ONTARIO LEVY

➤ **NEW YORK STATE TAX ON NON-REFILLABLE SOFT DRINK
CONTAINERS.** A 2¢ per container fee is levied on all non-refillable
containers for soft drinks only. Replace "New York", "soft drink" and "
2¢" with "Ontario", "alcoholic beverages" and "10¢" and you have a
measure identical to Ontario's environmental levy. Relevant language
from the New York State Tax Law Statutes (Chapter 60, Article 18-A):

[§99-401] §446.1. Imposition. There is hereby
imposed a tax on each sale in this state by a container
sale initiator of any nonrefillable beverage container.
The rate of the tax shall be two cents per beverage
container sold.

[§99-408] §447.2. A sale is in this state if delivery
is made in this state, except as to beverage containers
sold for immediate export from this state for
consumption outside this state where, in conjunction
with such sale, such containers are immediately
shipped outside this state, regardless of whether the
delivery to the purchaser occurs in this state.

[§99-410] §447.4. "Beverage manufacturer" means a
person who:

(a) bottles, cans or otherwise packages
beverages in nonrefillable beverage containers except

**U.S. Environmental Regulations Comparable
to the Ontario Environmental Levy**

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that if such packaging is for a distributor... then such distributor shall be the beverage manufacturer; or
(b) imports filled nonrefillable beverage containers into the United States.

[¶99-411] §447.5. The term "beverage container" means the individual, separate, sealed glass, metal, aluminum, steel or plastic bottle, can or jar used for containing one gallon or 3.8 litres or less at the time of sale of a beverage contained therein.

[¶99-412] §447.6. The term "beverage" means carbonated soft drinks, mineral water or soda water.

No better example exists that proves the USTR is using faulty rationale for declaring the Levy a disguised trade barrier. Is this an unfair playing field because New York does not impose the tax on alcoholic beverages or milk or juice as well? No. Is New York state deluded about the benefits of refillables? No. Is this a disguised trade barrier? No.

ENVIRONMENTAL EXCLUSION

◆ **MAINE BANS ASEPTIC BOX PACKAGING.** Maine has imposed the ultimate penalty on a product which is more difficult to recycle and reuse than other forms of packaging. The ban on aseptic packaging took effect in 1990. The USTR would logically have to call this trade protectionism because Tetra-Pak is based in Europe? The USTR would also have to come to the defense of Canadian producers of beverages in this packaging format who have been excluded from the Maine market. It is little consolation that U.S. manufacturers have also been excluded.

U.S. Environmental Regulations Comparable to the Ontario Environmental Levy

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PREFERENTIAL TREATMENT OF REFILLABLES

◆ MICHIGAN AND OREGON PLACE A HIGHER DEPOSIT ON BEVERAGES CONTAINERS THAT ARE NON-REFILLABLE. Both states have bottle bills for beer and soft drinks. In Oregon, the nonrefillables deposit is 5¢ while the refillables deposit is only 3¢. In Michigan the deposit on nonrefillables is 10¢ while the deposit on refillables is only 5¢. In 1991, Michigan strengthened its regulation by creating a certification process for the refillable packaging wishing to receive the preferential deposit rate. If Michigan and Oregon can use an environmental law to discriminate on behalf of refillable containers why can't Ontario do the same. How does the USTR explain these states' environmental position favouring refillables in light of the USTR position that refillables are not environmentally preferable?

PACKAGING BAN CONTINGENT ON RECYCLABLES MARKETS

◆ NEW JERSEY AND GREEN GLASS. State law mandates that if markets cannot be found for green glass, that packaging type will be banned for beverage containment.

SINGLING OUT CERTAIN BEVERAGE TYPES FOR TAXATION

◆ RHODE ISLAND'S BEER AND SOFT DRINK CONTAINER TAX. Rhode Island has placed a 5¢ per case tax on these beverage containers but they do not tax other beverage types. Clearly, not all states feel compelled to treat all types of beverages the same under their environmental laws. Of course the previous examples in NY, ME, MI and OR also attest to the fact.

1/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Photocopying	.80
	Telephone/Telecopy	120.74
2/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Courier	7.50
	Photocopying	5.80
	Telephone/Telecopy	58.73
	Postage	2.90
	Cost of Registration for Container Recycling Institute Conference on Refillables	580.00
3/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Photocopying	28.80
	Telephone/Telecopy	41.42
	Staff Meals	45.00
	Postage	2.36
4/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Photocopying	2.90
	Telephone/Telecopy	37.77
	Publications	22.50
5/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Photocopying	14.50
	Telephone/Telecopy	32.80
Total	\$ 1,512.30	

GOVERNMENT OF CHILE

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
4/93 Agency	Reimburse Expenses	
	Information Services	75.00
	Local Transportation	17.00
	Publications	34.50
	Telephone/Telecopy	71.81
Total	\$198.31	

GOVERNMENT OF NORWAY

<u>DATE TO WHOM</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
4/93	No Expenses Incurred	
5/93 Agency	Reimburse Expenses	
	Courier	4.00
	News Transcripts	47.40
	Photocopying	151.00
	Telephone/Telecopy	35.40
Total	\$237.80	

Grand Total Expenses: \$ 255,439.95

THE MAJORITY SHAREHOLDERS OF THE BCCI GROUP

#1

Background

- The Abu Dhabi shareholders were, at all times until 1990, passive minority shareholders in BCCI.
- The Abu Dhabi shareholders became Majority Shareholders in April 1990 when, in a move welcomed by the Bank of England, they purchased a majority stake in BCCI, enabling it to remain in operation after extensive trading losses had emerged.
- The frauds were perpetrated by BCCI's senior officers when the Abu Dhabi shareholders were passive, minority shareholders. The Abu Dhabi shareholders exercised no day-to-day executive control and were in no way responsible for the wrongdoing of the bank. Indeed, they themselves are the biggest victims of the fraud, having been systematically robbed of billions of dollars.
- Upon learning of the serious problems facing the bank, the Majority Shareholders instigated action to investigate the causes of those problems, and took steps to reorganize the management and restructure BCCI in cooperation with the Bank of England and other monetary authorities in order to return BCCI to a legitimate and profitable operation.
- Despite the efforts, the Bank of England unilaterally shut down BCCI in July 1991. Since then, the Majority Shareholders have been consumed with seeking a fair solution for depositors and creditors worldwide who, like them, suffered from BCCI's precipitate closing, and assisting the on-going investigations of the United Arab Emirates, the United Kingdom, and the United States in order to prosecute those responsible for the fraud. The Majority Shareholders will pursue vigorously through legal process all those who have deceived them and all those who, by failing in their duty, damaged the bank.

Investigation of Fraud

- The Majority Shareholders have been concerned to ensure that any allegations of criminal conduct are properly investigated by the Federal Prosecutor of the United Arab Emirates.
- Following complaints made by the Majority Shareholders, U.A.E. federal prosecuting authorities are continuing their investigation into offenses committed by former employees of the bank.

- The Majority Shareholders are committed to assisting the prosecuting authorities in that investigation and have every reason to believe that the U.A.E. Federal Prosecutor will continue to carry out his investigations into this very wide-ranging and complicated fraud with due diligence and expedition.

Efforts to Restructure the Bank

- In the latter part of 1990, the Majority Shareholders, together with the BCCI Group and leading firms of the United Kingdom advisors appointed on their behalf, began to develop a restructuring plan for BCCI.
- During the next several months, the Majority Shareholders made significant progress on a BCCI restructuring plan. In close cooperation with the Bank of England, the Majority Shareholders had set up an inquiry into the nature and extent of the fraud, developed a refinancing package, and identified and recruited new senior management.
- All of the restructuring activities were undertaken in cooperation with the central banks' committee in charge of supervising BCCI, including the Bank of England, which was kept informed of the developments at every stage.

The Abrupt Closure of BCCI

- Nevertheless, in July 1991, the Bank of England and other regulatory authorities shut down BCCI. The Majority Shareholders were shocked at the Bank of England's precipitate action, particularly as they had made it clear to the Bank of England that they were prepared to complete the refinancing and restructuring of BCCI in a form acceptable to the Bank of England.
- If the Bank of England had not closed down BCCI, and the restructuring plan had been allowed to proceed, the damage sustained by BCCI's depositors and shareholders and the resulting loss of confidence in the Bank of England's role as central bank would have been avoided.

Relief Sought for Depositors and Other Creditors

- Immediately following the closure of BCCI in July 1991, the Majority Shareholders assessed whether it would be possible to rescue the bank in any form. Unfortunately, the impact of the sudden closure of the bank was such that no rescue plan was feasible.

- The Majority Shareholders, seeking ways to limit damage caused by the closure, began discussions with the provisional liquidators to devise a plan to enhance and speed up the overall return to depositors and other creditors.

Contribution Arrangements Proposed

- The Majority Shareholders and the liquidators of the bank initialled a plan which will significantly enhance payments to the bank's depositors and other creditors. These contribution arrangements have been approved by courts in England, the Cayman Islands, and Luxembourg, although there are a number of formal steps which need to be completed prior to the implementation of the proposed arrangements.
- The contribution arrangements are based on proposals which combine the provision of a very substantial payment by the Majority Shareholders, the assumption by the Majority Shareholders of certain liabilities of BCCI branches in the United Arab Emirates, a pooling of BCCI assets, and a waiving of legal claims.
- It is believed that the benefits to depositors and creditors of the arrangements will be three to four times greater (and the payments distributed much sooner) than if there were no plan in place.
- Without the Majority Shareholders' support for these arrangements, estimates indicated that the return to creditors would have been less than 10 percent of their investment. Even this return would not have been possible for a number of years.

Assisting Regulators and Investigators Worldwide

- The Bingham Inquiry: The Majority Shareholders concur with Lord Justice Bingham's conclusion that the Bank of England's supervisory approach to BCCI was deficient. They have always maintained that the Bank's unilateral decision to close BCCI led to the grievous losses suffered by creditors and depositors. Moreover, they are at a loss to explain why the Bank of England was supportive of a refinancing and restructuring package promoted by the Majority Shareholders even as the Bank was planning to shut down BCCI.
- The Majority Shareholders also agree with Lord Justice Bingham's comments on the questionable role of BCCI's auditors, Price Waterhouse. Price Waterhouse failed to detect the fraud within BCCI, issuing unqualified audit reports year after year for 18 years.

- **U.S. Investigations:** The Majority Shareholders believe it is mutually beneficial to pursue joint cooperation efforts with the United States. As the biggest victim of the fraud, they would like access to information being developed by U.S. authorities that would assist them in supporting prosecution efforts being conducted in the United Arab Emirates and in their attempt to recover the billions of dollars misappropriated by BCCI's former management.
- Real and measured cooperation efforts have been undertaken with relevant U.S. authorities. These efforts, including providing access to key documents and witnesses to the Federal Reserve Board in early 1991, made possible the U.S. prosecution of BCCI for its illegal ownership of First American.
- An on-going cooperation program continues to move forward. In September 1992, further documents were brought to the United States and made available to U.S. authorities with the approval of the U.A.E. Court. In addition the Majority Shareholders have extended an invitation to U.S. authorities to visit Abu Dhabi and they expect a visit to take place in the near future.
- **First American Bankshares:** The Majority Shareholders, quite apart from any BCCI involvement, have an equity interest in the parent company of First American Bankshares in the United States. They have always acted in a responsible manner, including the provision of support when needed. For example, the Private Department of His Highness Sheikh Zayed bin Sultan Al Nahyan has agreed to provide financial support to First American to ensure its stability and is now owed more than \$180 million. The Majority Shareholders continue to work closely with U.S. authorities to facilitate a sale of First American.

COOPERATION EFFORTS WITH U.S. AUTHORITIES BY THE MAJORITY SHAREHOLDERS

As stated in testimony on May 14, 1992 before Senator Kerry's Subcommittee of the Foreign Relations Committee, the Majority Shareholders believe it is mutually beneficial to pursue joint cooperation efforts with the United States. As the biggest victim of the fraud, they would like access to information developed by U.S. authorities that would assist them in supporting prosecution efforts being conducted in the United Arab Emirates (UAE), and in their attempt to recover the billions of dollars that were misappropriated by BCCI's former management.

In order to facilitate a reciprocal cooperation program, the Majority Shareholders initiated discussions with the Department of Justice and the New York District Attorney (DANY). These discussions build on past cooperation efforts and, on September 21, 1992, led to a further provision of documents.

After acquiring control of BCCI a little over two years ago the Majority Shareholders, operating with limited professional resources, necessarily prioritized their activities. Those activities included: launching an investigation into the bank's fraud; attending to the crisis and subsequent war in the Gulf; attempts to restructure the bank; managing the fallout from the bank's abrupt closure in July 1991; and negotiating a contribution agreement to alleviate the hardship of the bank's depositors and creditors. The Majority Shareholders are now able to devote more attention to pursuing a mutually beneficial cooperation program with U.S. authorities which includes access to documents and witnesses.

Despite the attention the events above commanded, real and measured cooperation efforts have already been undertaken by the Majority Shareholders. For example, their voluntary action to make available information and key documents and witnesses to the Federal Reserve Board in early 1991 made possible the discovery of BCCI's illegal ownership of First American.

The following are specific examples of cooperative actions taken by the Majority Shareholders:

- In late 1990, after suspicions of potential violations of U.S. banking law were expressed, the Majority Shareholders determined that BCCI would terminate U.S. operations and would cooperate fully with U.S. authorities in resolving outstanding regulatory problems caused by Abedi, Naqvi and their associates.
- In early January 1991 -- the eve of the liberation of Kuwait -- BCCI's counsel flew to Abu Dhabi at the Federal Reserve's request to review the so-called "Naqvi files" and provided a description of those documents to Federal Reserve staff. The files revealed secret arrangements between BCCI and CCAH shareholders who were also identified as loan customers of BCCI. More detailed descriptions of the files were provided in later meetings.

- On March 16 to 22, 1991 the Majority Shareholders made it possible for a team of Federal Reserve investigative staff to visit Abu Dhabi to interview Mr. Naqvi. Although Mr. Naqvi's U.S. attorney would not allow the interview to go forward at that time, the Majority Shareholders enabled Federal Reserve officials to interview five other BCCI employees.
- During this time (March 16-22) the Majority Shareholders granted the Federal Reserve investigators access to the so-called "Naqvi files" pertaining to CCAH, the National Bank of Georgia and Independence Bank. The officials were allowed to copy some 10,000 documents of interest, and BCCI's U.K. lawyers held the files to allow the Federal Reserve ready access while determining how the documents might be provided to Western authorities without violating bank secrecy laws.

These documents, made available by the Majority Shareholders, served as the basis for enforcement actions by the Federal Reserve and the criminal charges brought against BCCI, Abedi and Naqvi by U.S. judicial authorities. These charges culminated in the plea agreement in which BCCI admitted owning over 25 percent of CCAH shares.

- Even though existing restrictions prevented the release of certain bank records, the Majority Shareholders insisted that BCCI obtain waivers of these disclosure regulations to facilitate as much disclosure as possible, despite significant risks and potential legal liability.
- As a result of the economic downturn in Washington, DC and the publicity surrounding BCCI's interest in CCAH, First American Bankshares suffered significant economic setbacks. At the request of the Federal Reserve and to ensure the stability of First American, the Department of Private Affairs (Private Department) agreed to provide financial support despite owning only 22 percent of CCAH shares. The Private Department agreed to provide financial support and is now owed more than \$180 million by First American:
 - February 1991: provided \$48 million of a \$51 million bridge loan for First American Corporation (FAC).
 - June 1991: provided another \$39 million to FAC and purchased \$82 million in outstanding First American Bank debt.
 - March 1992: purchased a \$9.3 million term loan from BAI at the request of the First American management, despite unfavorable terms contained in the loan; provided similar extensions and waivers with regard to the other debt owed to it by CCAH, FAC, and FAB, all in order to provide direct financial assistance to First American.

- In March 1991, thanks to the Majority Shareholders, BCCI negotiated with U.S. authorities a cease and desist order; it called for the closure of BCCI offices in Los Angeles and New York, the divestiture of BCCI's CCAH shares, a prohibition against unauthorized transactions with First American, and further cooperative efforts in the U.S. investigation.
- In early August 1991, the Federal Reserve requested the assistance of the Private Department in creating a trust that would hold the shares of FAC or FAB. Following a significant outflow of First American's deposits in August 1991, the Private Department called a special CCAH shareholders meeting to solicit proxies from shareholders to consider changes in First American's management. Changes were made that guaranteed First American Bank would have an independent management.
- Shortly thereafter, Nicholas Katzenbach agreed to act as First American's chairman provided he receive indemnification for himself and the other directors. Again, to ensure independent management selected by the Federal Reserve and FAB, outside directors and the Private Department agreed to Mr. Katzenbach's conditions.
- The Abu Dhabi shareholders voluntarily placed their CCAH shareholdings (28 percent) in a trust in an effort to facilitate an orderly sale of First American.
- The Majority Shareholders have entered into discussions with the Department of Justice and the New York District Attorney concerning reciprocal cooperation arrangements. These discussions are ongoing.
- Following his May 14, 1992 testimony before Senator Kerry's subcommittee where he reaffirmed the Majority Shareholders' willingness to cooperate with U.S. authorities, Mr. Al Sayegh was asked to provide answers to written questions. Answers have been provided. Though Mr. Al Sayegh requested a meeting to personally provide the Senator with the answers to his follow-up questions, he was informed that the Senator's schedule could not accommodate a meeting.
- On September 21, 1992, documents were made available to U.S. authorities through the U.A.E. Embassy. The documents were brought to the U.S. with the authority of the U.A.E. Court in an effort to facilitate access to them by U.S. authorities. In addition, the Majority Shareholders have extended an invitation to U.S. authorities to visit Abu Dhabi and they expect a visit to take place in the near future.

###

September 22, 1992

FOR IMMEDIATE RELEASE
1 December 1992

CONTACT: Craig G. Veith
(202) 457-9270

STATEMENT BY THE MAJORITY SHAREHOLDERS OF BCCI

"The action taken today by the Attorney General of the United Arab Emirates signals progress in the extraordinarily complex investigation which he is conducting. As the biggest victim of the fraud and the complainants in the criminal proceedings, we have a keen interest in ensuring that all allegations of criminal conduct are thoroughly investigated by the U.A.E. prosecuting authorities and remain committed to assisting his office and other investigative authorities around the world as they pursue those responsible for the BCCI debacle."

#

FOR IMMEDIATE RELEASE
22 October 1992

CONTACT: Cynthia H. Rapp
(202) 457-9270

**Statement on Behalf of the Majority Shareholders
of the BCCI Group**

The Majority Shareholders concur with Lord Justice Bingham's conclusion that the Bank of England's supervisory approach to BCCI was deficient. The Majority Shareholders have always maintained that it was the Bank's unilateral decision to close BCCI, while at the same time appearing to support a refinancing and restructuring package promoted by the Majority Shareholders, which led to the grievous losses which have been suffered as a result of the closure.

The Majority Shareholders are also in accord with Lord Justice Bingham's comments on the questionable role of BCCI's auditors, Price Waterhouse. Price Waterhouse failed to detect the fraud within BCCI, issuing unqualified audit reports year after year for 18 years. During the first half of 1991, Price Waterhouse was in a position of a serious conflict of interest by working simultaneously: for BCCI as its auditors; on the committee established to investigate allegations of fraud; for the Majority Shareholders as advisers on the refinancing and restructuring package and, covertly, for the Bank of England compiling the S41 Report, a report which was, inevitably, partly an examination of their own professional competence.

However the Majority Shareholders are surprised that, as the principal driving force behind efforts to uncover the fraud in BCCI and then to restructure the bank so that it could operate on a sound and proper legal basis, they have been the subject of criticism in Lord Justice Bingham's report into the failure of the Bank.

###

Robinson, Lake, Lerer & Montgomery
Strategic Communications

Robinson, Lake, Lerer & Montgomery
Strategic Communications
1667 K Street Northwest, Suite 900
Washington, DC 20006-1605
202-457-9270

FOR IMMEDIATE RELEASE
22 October 1992

CONTACT: Cynthia H. Rapp
(202) 457-9270

Statement from the Majority Shareholders of BCCI
Luxembourg Court Hearing

The Majority Shareholders of BCCI welcome today's decision by the Luxembourg Court to approve the proposed arrangements which were negotiated between the Majority Shareholders and BCCI's worldwide liquidator.

The Majority Shareholders have always believed that the proposed arrangements represented the best option for creditors. Creditors signalled their overwhelming support for the arrangements in a Court-commissioned ballot earlier this month.

###

Robinson, Lake, Lerer & Montgomery
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1667 K Street Northwest, Suite 900
Washington, DC 20006-1605
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FOR IMMEDIATE RELEASE
1 October 1992

CONTACT: Cynthia H. Rapp
202-457-9270
or
Tim Rycroft
011-44-71-631-3434

Statement from the Majority Shareholders of BCCI on the publication
of the result of the ballot of creditors commissioned by the
Luxembourg Court:

"The Majority Shareholders welcome the announcement today that BCCI creditors have voted overwhelmingly in favour of the proposed arrangements which the Majority Shareholders have negotiated with BCCI's worldwide liquidator.

"The result vindicates the Majority Shareholders' view that the proposed arrangements are the best option available, and that the opponents to the proposed arrangements represented a small minority of creditors."

#

Attachment: Press release from the Liquidators of BCCI



BANK OF CREDIT AND COMMERCE INTERNATIONAL SA IN LIQUIDATION
PO Box 46, L-2010 Luxembourg Phone (352) 346363 Fax (352) 346353
Incorporated in Luxembourg RC Luxembourg No B10370
Airport-Center, 8 rue Höhenhof, L-1736 Senningerberg, Luxembourg

1 OCTOBER 1992

Ballot of Creditors
29 September 1992

In accordance with the Order of the District Court of Luxembourg dated 20 July 1992, the Liquidators of BCCI SA Luxembourg circulated creditors or claimants of which they were aware and advertised to other creditors to seek their views on whether BCCI SA should pool with BCCI Overseas and others and whether they wished the Liquidators to sign the Contribution Agreement.

The Court, which will sit to consider the results on 7 October 1992, stated in the Order that it was seeking to hear the views of the creditors although the result would not be binding.

The result of the ballot was as follows:

POOLING AGREEMENT

	Total	% *
In favour	16,498	93.13
Against	1,217	6.87
Abstain	875	
Invalid	2,451	
Total votes cast	21,041	

CONTRIBUTION AGREEMENT

	Total	% *
In favour	17,119	93.69
Abstain	869	
Invalid	1,901	
Total votes cast	21,041	

* excludes abstentions and invalid votes

The results show strong support for the agreements by the creditors.

Brian Smonha

Liquidators of Bank of Credit and Commerce International SA in Liquidation

Georges Baidan

Jean-Benoit

FOR IMMEDIATE RELEASE
22 September 1992

CONTACT: Cynthia H. Rapp
Craig G. Veith
(202) 457-9270

**MAJORITY SHAREHOLDERS OF BCCI GROUP CONTINUE
JOINT COOPERATION PROGRAM**

The Majority Shareholders of the BCCI Group announced today that, following UAE Court approval, further documents have been released for review by U.S. authorities conducting investigations into the BCCI Group.

"Today's action underscores the Majority Shareholders' joint cooperation program with the U.S. authorities. The Majority Shareholders believe that the exchange of information is desirable by all parties conducting investigations -- including the authorities in the UAE," said a representative of the Majority Shareholders.

"The review of a substantial number of documents by the Department of Justice, the New York District Attorney's office and the Federal Reserve Board is a tangible example of yet further cooperation by the Majority Shareholders," stated the representative.

In addition to the documents provided for review, the representative announced that relevant U.S. authorities have been invited to Abu Dhabi and a visit is expected to take place in the near future.

The present cooperation builds on visits by the U.S. authorities to Abu Dhabi and the provision of documents for review, in March 1991, which helped make possible the discovery of BCCI's illegal ownership of First American Bank.

In May 1992, during a voluntary appearance before Senator Kerry's Subcommittee on Terrorism, Narcotics and International Operations, a representative of the Majority Shareholders emphasized the commitment of the Majority Shareholders of the BCCI Group to a joint cooperation program with U.S. authorities, pointing out that the Abu Dhabi shareholders are "the single biggest victim of the fraud and probably its only intended victim. They have lost billions of dollars."

Five BCCI employees released

By Linda Rout

Abu Dhabi

Five of the 18 former BCCI employees detained in Abu Dhabi were released yesterday, nearly 13 months after they were detained.

Babar Saad Khan, 35, Iqbal Ahmad Rizvi, 66, Qaisar Rida Abed Rida, 46, Mohammed Abdul Mujeeb and Suhail Alam Kizilbashi, 44 were released because investigators' reports, plus other documents and interrogation "have thus far revealed insufficient evidence against them," according to a statement by the UAE Attorney General Mohammed Nakheera Al Dhaheri yesterday.

Rizvi and Rida were said by bankers to have been former senior executives of BCCI while Kizilbashi was joint executive in charge of the accounts department and Khan and Mujeeb were officers in the secretariat of former chief executive officer Zafar Iqbal.

The passports of the five men have been retained in order to stop them leaving the country before investigations are concluded.

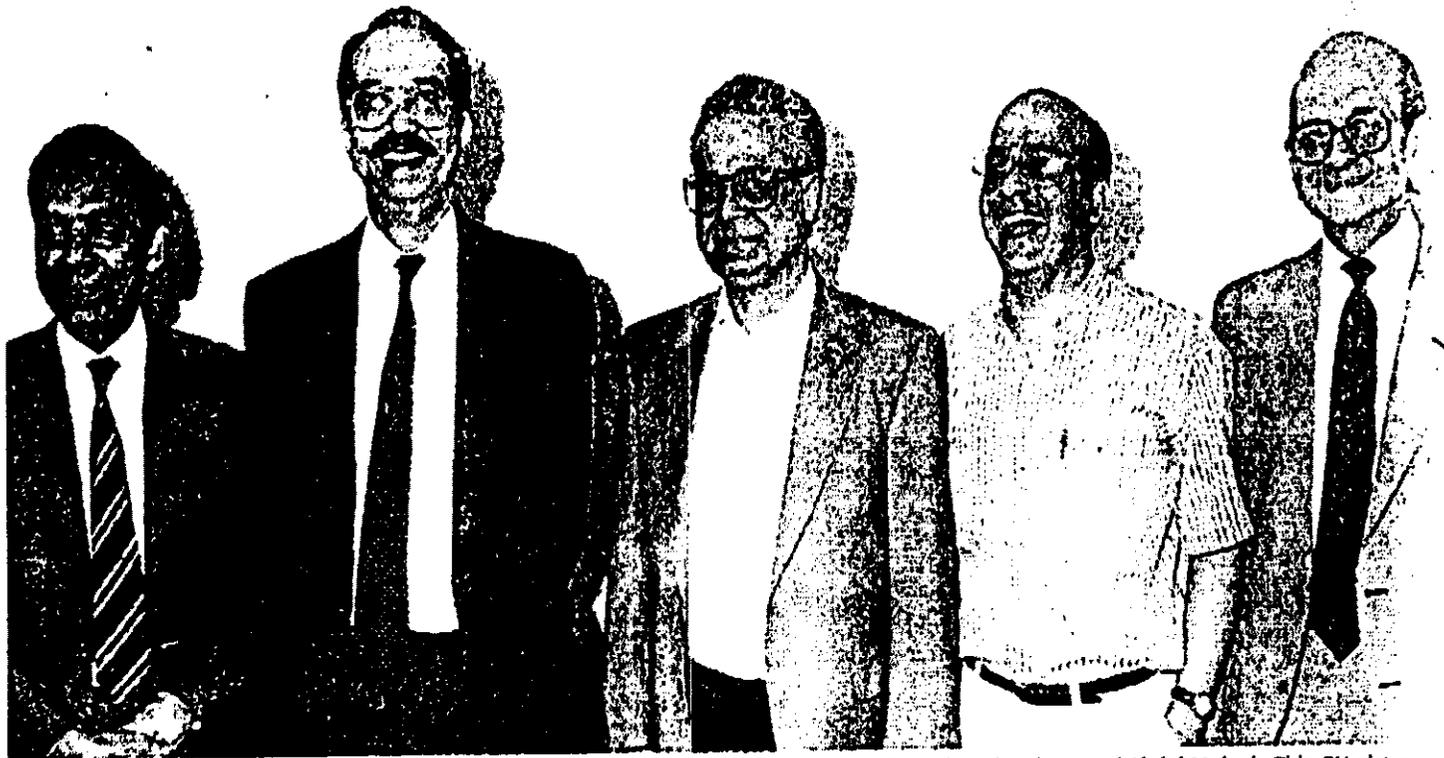
"One could not state with certainty that they took part in forging accounting entries or that they committed other deeds... If the examination of the rest of the documents revealed any new evidence against them, the public prosecution will be informed accordingly," the statement said.

Investigations have shown that each of the 13 ex-BCCI employees who remain detained at the Abu Dhabi Police Club "was involved and implicated in one or more of the transactions examined so far, involving forgery of accounting entries and improper banking actions," the Attorney General said.

A preliminary report carried out by an international accounting firm working on the investigation said they were "in the process of producing comprehensive reports highlighting in detail the role of each person in this group in the said unlawful transactions." Al Dhaheri added.

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The five men who were released (from right): Iqbal Rizvi, Babar Saeed, Qaiser Reza, Sohail Kizilbash and Mohammed Abdul Mujeeb. This GN picture was taken in the Attorney-General's office in Abu Dhabi soon after their release.

Abedi still being sought by Interpol

Report on heart attack death of detained employee to be handed over to British Embassy

Contd from Page 1

The case before the public prosecution "had reached an advanced stage," he said, and that "after receiving the final reports from the international accounting firm they would be carefully reviewed whereupon final charges would be made and those against whom sufficient evidence is available would be brought to trial."

The final report is expected soon, he said.

Explaining the reason for the length of the investigation, Al Dhaheri said it was due to the number of documents connected with the case and the diversity of BCCI operations around the world.

BCCI had over 400 units in

around 70 countries, and the case was "the most serious, largest and most complex of its kind in history".

The 13 BCCI employees who are still detained were among a group of around 35 taken in on September 8 1991.

Three other men, said to be Aga Hasan Abedi, founder of BCCI, Dia Eldoen Ali Akbar, who was in charge of the bank's treasury before he left the bank in 1986, and Omran Imam, a former executive with the bank in London, are still wanted in connection with the BCCI investigation.

Their arrest is being sought by Interpol since they remain outside the UAE, the Attorney general's statement said.

As regards the recent death of detained former BCCI employee Saeed Arjuman Naqvi, Al Dhaheri said that investigations by the Public Prosecution had found it to be natural death due to a heart attack.

A report on the matter had been sent to the Ministry of Foreign Affairs to be handed over to the British Embassy.

The 13 ex-BCCI staff who remain in custody are Zafar Iqbal, Bashir Ahmed Tahir, Swaleh Naqvi, Hassan Mahmood Kazmi, Abdul Hafeez Mohammed Ahmed, Saleem Siddiqui, Imtiaz Ahmed, Emir Ul Haq Siddiqui, Mohammed Azmatullah, Askari Husun Khan, Yaseen Hassan Sheikh, Nadhem Habibullah and Fakir Hussain.



Al Dhaheri...lengthy investigation

Robinson, Lake, Lerer & Montgomery

Government of Abu
DHABI

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4/28/93

2

Cynthia H. Rapp
Senior Vice President

April 28, 1993

Kenneth N. Gilpen
The New York Times
229 W. 43rd Street
New York, NY 10036-3913

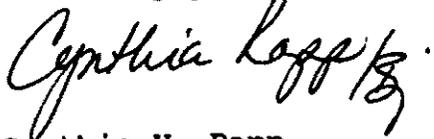
Dear Mr. Gilpen:

I am writing to draw your attention to a factual error contained in your story that appeared in *The New York Times* on April 28th. In the eleventh paragraph, you identified Faisal Saud al-Fulaij as "financial adviser to the ruler of Abu Dhabi, Sheikh Zayed bin Sultan al-Nahayan." However, al-Fulaij, who is in fact a Kuwaiti businessman, never advised the Ruling Family.

The distinction is important because U.S. authorities have indicated that the Ruling Family held legitimate shareholdings in FGB -- indeed, according to the Prosecution, they were the only legitimate investors. The Majority Shareholders (the Department of Private Affairs, the Abu Dhabi Investment Authority, and the Finance Department) ask that you correct this error.

Thank you in advance for your cooperation.

Sincerely yours,



Cynthia H. Rapp
Senior Vice President

Government of
ABU DHABI

5/12/93

#3

May 12, 1993 Mahfouz Press Release

Tom Petzinger
The Wall Street Journal

Hal Ritter
John Simpson
USA Today

Bill Meyers
U.S. News and World Report

Marci Gordon
Associated Press

Pam Benson
CNN

Alan Frank
John Martin
ABC News

Johnathan Beaty
Sam Gwynne
Time

Bob Jackson
Drex Heikes
Los Angeles Times

David Sands
Washington Times

Robert Bartley
Peter Truell
Wall Street Journal

Roz Liston
UPI New York

Alan Friedman
Financial Times

Rob Wells
Associated Press

Ira Silverman
NBC News

Dave Caravello
Eric Engberg
CBS News

Steve Lohr
Kenneth N. Gilpen
The New York Times

Jay Mathews
The Washington Post

Donna Smith
Reuters Information Services

Sharon Walsh
The Washington Post

Jeff Bater
UPI

Richard Thomas
Newsweek

FOR IMMEDIATE RELEASE
12 May 1993

CONTACT: Cynthia Rapp or
Craig Vieth
(202) 457-9270

BCCI Liquidators Refute Mahfouz Statements

Abu Dhabi Reconsiders Claims Against Saudi Financier

Washington, 12 May 1993 -- Lawyers for the Majority Shareholders of BCCI today responded to a recent court document filed by Khalid bin Mahfouz in connection with the racketeering suit brought against him and National Commercial Bank (NCB) by the BCCI liquidators, declaring statements contained in the document to be "unsubstantiated and patently false" and announcing their clients' intent to reconsider filing direct claims against Mahfouz and NCB.

Separately, lawyers representing the court-appointed liquidators of BCCI also refuted statements attributed to Brian Andrew Smouha contained in the brief, calling them "untrue and unfounded."

In a letter sent today to lawyers for Mahfouz and NCB, U.S. legal counsel to the Majority Shareholders of BCCI informed them that "...despite the various serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position."

Mahfouz and NCB were further advised that their efforts to solicit the Majority Shareholders' intervention on their behalf with the Liquidators had been seriously compromised. "Accusing the

(more)

Majority Shareholders of orchestrating the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request."

The Mahfouz charge that Abu Dhabi was a participant in the fraud and is withholding documents which may be prejudicial was also refuted by the Majority Shareholders' lawyers and the lawyers representing the court-appointed Liquidators who stated that the allegations "are, so far as the Liquidators are concerned, untrue and unfounded."

#

EDITORS' NOTES:

- * The following documents are being provided with this press release for your reference: (1) the letter from the Majority Shareholders' legal counsel to the lawyers representing Mahfouz and NCB; (2) the letter from the Liquidators' lawyers to legal counsel for the Majority Shareholders refuting the statements put forth by Mahfouz; and (3) a point-by-point rebuttal of the allegations made against the Majority Shareholders in the Mahfouz court filing.
- * The Majority Shareholders of BCCI are the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family.

Pursuant to 22 U.S.C. §§ 611-621, Robinson, Lake, Lerer & Montgomery is registered as an agent of the Government of Abu Dhabi with the United States Department of Justice, where a copy of the registration statement is on file and available for public inspection. Registration does not indicate approval by the United States Government of the contents of this communication, which is to be filed with the Department of Justice.

PATTON, BOGGS & BLOW
2550 M STREET, N.W.
WASHINGTON, D.C. 20037
(202) 457-6000

TXT TEL#: 187780
TELECOPIER: 457-6315

WRITER'S DIRECT DIAL

(202) 457-5270

May 12, 1993

BY FAX AND BY MAIL

Gary P. Naftalis, Esq.
Kramer, Levin, Naftalis,
Nessen, Kamin & Frankel
919 Third Avenue
New York, New York 10022

Gerald A. Feffer, Esq.
Williams & Connolly
725 12th Street, N.W.
Washington, D.C. 20005

Re: BCCI Holdings (Luxembourg), S.A., et al.
v. Sheikh Khalid bin Mahfouz, et al.

Gentlemen:

On behalf of our clients, the Majority Shareholders of BCCI, we are writing to respond to certain unsubstantiated and patently false statements made by you and publicized on behalf of Sheikh Khalid bin Mahfouz ("Mahfouz") and National Commercial Bank ("NCB") in connection with the racketeering suit brought against them by the BCCI Liquidators.

As you are aware, our clients as depositors and shareholders suffered greater losses than anyone else as a result of the illegal activities of BCCI and its co-conspirators. Nevertheless, despite the very serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board, and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position.

In addition, we assume that you are aware that your clients recently sent representatives to Abu Dhabi and asked our clients to intercede on their behalf with the BCCI Liquidators. The Majority Shareholders advised that they had made the decision upon the closure of BCCI to cooperate with the Liquidators rather than to act in a manner that would delay and obstruct a timely distribution to BCCI's creditors, suggested that your clients should try to adopt a more constructive approach toward the Liquidators than the one currently being pursued, and offered their support if such an approach were adopted. Accusing the

PATTON, BOGGS & BLOW

Gary P. Naftalis, Esq.

Gerald A. Feffer, Esq.

May 12, 1993

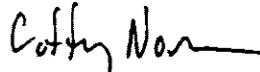
Page 2

Majority Shareholders of "orchestrating" the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request.

As to your charges that Abu Dhabi was a participant in the fraud and is withholding documents that may be prejudicial, we believe the actions taken by the governmental authorities and the Liquidators speak for themselves. Specifically, the solicitors for the Liquidators have now indicated in writing that the allegations you made about the Majority Shareholders "orchestrating" the litigation and withholding documents relevant to such litigation on the grounds that they would prejudice the Majority Shareholders' interests are "untrue and unfounded."

In closing, perhaps I need not add that our clients are most disappointed that you would use the press and legal proceedings to hurl unfounded accusations at them. They do not appreciate being used as part of an effort to distract the court's attention from the merits of the case against Mahfouz and NCB.

Sincerely,



W. Caffey Norman, III

C Taylor
G J B Threlking
W C Threlking
M P Anson
A Pugh-Thames
D P Crag
H M Harshar
G K Wood
B M H Gould
N B Macneil
P E Phillips
M D Sheldrake
C J Hanson
T M Olson
D S Schar
A J Whit
J B Gordon
M P L Wright
W E Ward
P C Newman
R A Smedley
A D Waller
T A R Owen

J R M Kisheng
B C Mann
N J Ragan
E J Anderson
P G H Collins
C I Major
D S D Moody
C P Revault
D Sparks
C H Gump
D Strington
R H P Singh
A D Usherish
P L Wainwright
L A MacDonagh
C P Dodson
C K Gidman
M S Hushings
A S Loughlough
I D Smith
A P F Williamson
A W Poyle
A Cashin

N S J Claver
D Matthews
S W Peake
M I Symonds
M P Stravinski
N P Young
M O P Hill
L L Pike
J G Suter
C V S Mandata
G B Yarnon
E J Kelly
D Sizer
A S Gordon
N D Campbell
J F Powell
J Cooper
S M F MacDonagh
N S MacLachlan
G J McQueen
R H Menden
A J A Fossen
J E Phelan

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P P Burroughs
I B Sayth
B A Cox
A C R Bova
K Chann
D A Harper
D A Harro
D C Kelly
A C Murray-Dove
J S Taylor
M A Sargent
S C I Webb
E T Whitmore
N H H Furner
Q D E Archer
S L Burns
P A Oldman
C A Frouder
B A Shoen
R J L Stone
G Wilson
J T Young
L M Almonath

C M Algham
A M Dorendah GR
F J Fisher
M Caplan
F F A Curran
M S Goldberg
D A Latham
R H R McGran
D J Mear
M Shaw
N M C Bennfield
D A Crosby
C N C Livingston
M S Mathews
J M Dorman
J M Revie
L Winer
P D Conhour
D I Hender
D Lane
M C McCaw
C D Si Pinner
E S Brown

E T Stacey
J M Bradshaw
L A Coakley
I Durston
L R Durlop
R M Halcott-Jones
J M Samson-Jones
C H D Smith
K S Ashman
J N Cole
I M Corvick
R M Grant
D F Harland
N F Quattr
P L Taylor
M Compagno
M J Carr
S P Hill
G P E Hunter
C I Strind

Our ref C5/KG

Your ref 5/L22334/JW

11th May 1993

Simons & Simons
14 Dominion Street
London
EC2M 2RJ

Attention: J Walter Esq

Dear Sirs

BCCI/Mahfouz

Thank you for your letter dated 10th May 1993.

As our firm made clear at the meeting to which you refer, in relation to the litigation brought against Sheikh Khalid Bin Mahfouz in Washington DC, the allegations made on his behalf that:

- (a) the Abu Dhabi parties are orchestrating, or at least being closely consulted by the Liquidators, in the conduct of such litigation; and
- (b) the Abu Dhabi parties are withholding documents relevant to such litigation on the grounds that they would prejudice their interests

are, so far as the Liquidators are concerned, untrue and unfounded.

We do not think it appropriate to write directly to Bin Mahfouz's lawyers. They must be aware of the Liquidators' position on these matters by reason of documents served in the litigation prior to the press release issued on Bin Mahfouz's behalf. This position will be reiterated by the Liquidators in further court papers to be filed shortly.

Yours faithfully

Lovell White Durrant

1024/DH

RESPONSES TO ALLEGATIONS CONCERNING
ABU DHABI IN BIN MAHFOUZ PLEADING

Allegations made by lawyers defending Khalid bin Mahfouz from racketeering charges brought by the BCCI liquidators should be seen for what they are: irrelevant attacks on individuals not party to the litigation buried on page 32 of a 45 page brief. These excerpts, passed out by bin Mahfouz's press agents, seem designed purely for media consumption, to obscure the very serious wrongdoing with which bin Mahfouz has been charged in this and other countries. Even if they were true -- which they are not -- they would be entirely irrelevant to the legal issues which the court will need to determine in the action against bin Mahfouz.

The Majority Shareholders of BCCI (the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family) respond as follows to the allegations made by bin Mahfouz's lawyers:

Abu Dhabi is BCCI's "partner in crime"
(May 7, Associated Press)

Unlike bin Mahfouz, none of the Majority Shareholders, nor any of their representatives, have been indicted or charged with violations of law in the United States or elsewhere.

Abu Dhabi was a principal participant in the allegedly fraudulent buy-back of bin Mahfouz's shares
(May 6, The Washington Post; May 7, Associated Press)

The Liquidators do not allege that Abu Dhabi took any improper actions in connection with the transactions which are the subject of their action against Mahfouz. Further, neither federal nor state authorities have alleged wrongdoing by the Majority Shareholders in the charges they have brought against Mahfouz.

Abu Dhabi is obstructing the BCCI investigation
(May 7, Associated Press)

In fact, the Abu Dhabi investors were among the very first to undertake an investigation into the fraud at BCCI, which they did shortly after they acquired majority control in April 1990. The Majority Shareholders have extended cooperation to numerous law enforcement agencies and governments, including civil and criminal law enforcement authorities in the United States and United Kingdom. In addition, they have assisted BCCI's court appointed liquidators in the United Kingdom, Luxembourg, the Cayman Islands, and the United Arab Emirates.

The documents provided by the Majority Shareholders to the Federal Reserve Board in early 1991 (selected by Federal Reserve staff from among the so-called "Naqvi files") enabled the U.S. prosecution of BCCI for its illegal ownership of First American to go forward. Additional documents were brought to the United States and made available to U.S. authorities in September 1992. U.S. authorities have also been invited to visit Abu Dhabi to interview witnesses and review documents.

In relation to the Mahfouz transactions, it was the Investigating Committee, set up at the instigation of the Majority Shareholders, that first revealed the reality of the arrangements made between Mahfouz and BCCI. Those reports have been in the hands of U.K. and U.S. prosecuting authorities and bank regulators since the closure of the bank.

Abu Dhabi provided a \$1 billion bailout of BCCI in 1989
(May 7, Associated Press)

This is false. In April and May 1990, however, the Abu Dhabi investors did infuse much-needed capital into the bank when they acquired a majority shareholding in it. This was done with the knowledge and approval of the Bank of England and the Institute Monetaire Luxembourgeois. Indeed, the capital infusion was welcomed by bank regulators as being in the interest of depositors and other creditors.

Abu Dhabi receives one-half of proceeds from litigation brought by liquidators
(May 6, The Washington Post; May 7, Associated Press)

Bin Mahfouz's objection seems to be with the settlement arrangements between the BCCI liquidators and the Majority Shareholders, which have been approved by courts in the United Kingdom, Luxembourg and the Cayman Islands. Under these arrangements, the Majority Shareholders have agreed to contribute up to \$2.2 billion to BCCI's creditors, and to waive certain of their own claims against BCCI totalling another \$2.2 billion.

Abu Dhabi was aware of internal accounting frauds committed by BCCI (May 7, Associated Press)

The Abu Dhabi investors were at all times until 1990 passive minority shareholders in BCCI. In the months following taking a majority stake in BCCI, the Majority Shareholders became aware of serious internal irregularities. In October 1990, the Majority Shareholders established an Investigating Committee to carry out a full and independent review of these irregularities. This investigation included the Mahfouz transactions which were the subject of an Investigating Committee Report of April 28th 1991.

Abu Dhabi is withholding hundreds of boxes of documents
(May 7, Associated Press)

The allegation that the Abu Dhabi parties are withholding documents relevant to the Mahfouz litigation on the grounds that they would prejudice their interests is untrue and unfounded. The liquidators themselves have made this clear to bin Mahfouz's lawyers.

Numerous documents, including some culled from the so-called "Naqvi files," have been made available to U.S. authorities by the Majority Shareholders.

[Smouha said in a deposition that] Abu Dhabi has a warehouse full of files which it refuses to let out of the country
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Again, to the extent there are BCCI documents in Abu Dhabi, they are under the control of the court receiver, just as they are in the United States, the United Kingdom, Luxembourg and numerous other jurisdictions. Mr. Smouha testified that he has reviewed one-third of the boxes in the warehouse, boxes of files that have already been indexed and catalogued. The process of indexing and cataloguing continues as boxes of files become available for review on a daily basis.

[Smouha said in a deposition that] Abu Dhabi is withholding documents which are incriminating, or prejudicial
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The Abu Dhabi parties are not withholding documents relevant to the Mahfouz litigation on the grounds that these documents might prejudice the Majority Shareholders' interests, as has been alleged.

Mr. Smouha has been deliberately misquoted. His actual statement was that documents were being held because they might be prejudicial [in the context of potential civil litigation].

Until the contractual arrangements are unconditional, both parties are cautious about granting access to documents. The liquidators have exercised their contractual right to withhold a significant number of documents from the Majority Shareholders on the grounds they may be prejudicial.

Again, in documents relating to Mahfouz, the liquidators' access has not been impaired, nor has there been any editing of the documents given to them.

At the same time, Abu Dhabi is trying to strengthen the case against bin Mahfouz (May 6, The Washington Post);
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The allegation that the Abu Dhabi parties are orchestrating, or even are closely consulted by the liquidators in the conduct of, the Mahfouz litigation is untrue and unfounded. The Majority Shareholders are, however, considering their rights against bin Mahfouz and NCB, and whether it is appropriate to litigate the claims they may have against them.

Abu Dhabi has refused to let liquidators interview Swaleh Naqvi (May 7, Associated Press)

The Majority Shareholders have no control over who may and may not interview Mr. Naqvi. Mr. Naqvi, preliminarily charged under U.A.E. law with serious criminal wrongdoing, is under the exclusive control of U.A.E. prosecuting authorities. When efforts were made to allow Federal Reserve investigators to interview Mr. Naqvi in March 1991, it was his U.S. lawyer who refused to allow the interview to go forward.

Abu Dhabi is an unnamed plaintiff in the suit in federal court against Mahfouz (May 5, bin Mahfouz pleading)

As noted above, the liquidators have sole discretion to bring suits on behalf of BCCI, not the Majority Shareholders. It was not the Majority Shareholders' decision to bring suit against bin Mahfouz, but rather that of the liquidators. Abu Dhabi will share in any recovery, but only because it has already arranged to contribute billions of dollars for the benefit of depositors worldwide.

12 May 1993

CONTACT: Cynthia Rapp or
Craig Veith
(202) 457-9270

Robinson, Lake, Lerer & Montgomery
Strategic Communications

Government of
ABU DHABI 5/14/93
Robinson, Lake, Lerer & Montgomery
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1667 K Street Northwest, Suite 900
Washington, DC 20006-1605
202-457-9270 #4

FOR IMMEDIATE RELEASE
12 May 1993

CONTACT: Cynthia Rapp or
Craig Vieth
(202) 457-9270

BCCI Liquidators Refute Mahfouz Statements

Abu Dhabi Reconsiders Claims Against Saudi Financier

Washington, 12 May 1993 -- Lawyers for the Majority Shareholders of BCCI today responded to a recent court document filed by Khalid bin Mahfouz in connection with the racketeering suit brought against him and National Commercial Bank (NCB) by the BCCI liquidators, declaring statements contained in the document to be "unsubstantiated and patently false" and announcing their clients' intent to reconsider filing direct claims against Mahfouz and NCB.

Separately, lawyers representing the court-appointed liquidators of BCCI also refuted statements attributed to Brian Andrew Smouha contained in the brief, calling them "untrue and unfounded."

In a letter sent today to lawyers for Mahfouz and NCB, U.S. legal counsel to the Majority Shareholders of BCCI informed them that "...despite the various serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position."

Mahfouz and NCB were further advised that their efforts to solicit the Majority Shareholders' intervention on their behalf with the Liquidators had been seriously compromised. "Accusing the

(more)

Majority Shareholders of orchestrating the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request."

The Mahfouz charge that Abu Dhabi was a participant in the fraud and is withholding documents which may be prejudicial was also refuted by the Majority Shareholders' lawyers and the lawyers representing the court-appointed Liquidators who stated that the allegations "are, so far as the Liquidators are concerned, untrue and unfounded."

#

EDITORS' NOTES:

- * The following documents are being provided with this press release for your reference: (1) the letter from the Majority Shareholders' legal counsel to the lawyers representing Mahfouz and NCB; (2) the letter from the Liquidators' lawyers to legal counsel for the Majority Shareholders refuting the statements put forth by Mahfouz; and (3) a point-by-point rebuttal of the allegations made against the Majority Shareholders in the Mahfouz court filing.
- * The Majority Shareholders of BCCI are the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family.

Pursuant to 22 U.S.C. §§ 611-621, Robinson, Lake, Lerer & Montgomery is registered as an agent of the Government of Abu Dhabi with the United States Department of Justice, where a copy of the registration statement is on file and available for public inspection. Registration does not indicate approval by the United States Government of the contents of this communication, which is to be filed with the Department of Justice.

PATTON, BOGGS & BLOW
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WASHINGTON, D.C. 20037
(202) 457-6000

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WRITER'S DIRECT DIAL

(202) 457-5270

May 12, 1993

BY FAX AND BY MAIL

Gary P. Naftalis, Esq.
Kramer, Levin, Naftalis,
Nessen, Kamin & Frankel
919 Third Avenue
New York, New York 10022

Gerald A. Feffer, Esq.
Williams & Connolly
725 12th Street, N.W.
Washington, D.C. 20005

Re: BCCI Holdings (Luxembourg), S.A., et al.
v. Sheikh Khalid bin Mahfouz, et al.

Gentlemen:

On behalf of our clients, the Majority Shareholders of BCCI, we are writing to respond to certain unsubstantiated and patently false statements made by you and publicized on behalf of Sheikh Khalid bin Mahfouz ("Mahfouz") and National Commercial Bank ("NCB") in connection with the racketeering suit brought against them by the BCCI Liquidators.

As you are aware, our clients as depositors and shareholders suffered greater losses than anyone else as a result of the illegal activities of BCCI and its co-conspirators. Nevertheless, despite the very serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board, and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position.

In addition, we assume that you are aware that your clients recently sent representatives to Abu Dhabi and asked our clients to intercede on their behalf with the BCCI Liquidators. The Majority Shareholders advised that they had made the decision upon the closure of BCCI to cooperate with the Liquidators rather than to act in a manner that would delay and obstruct a timely distribution to BCCI's creditors, suggested that your clients should try to adopt a more constructive approach toward the Liquidators than the one currently being pursued, and offered their support if such an approach were adopted. Accusing the

PATTON, BOGGS & BLOW

Gary P. Naftalis, Esq.

Gerald A. Feffer, Esq.

May 12, 1993

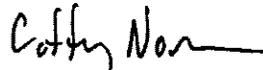
Page 2

Majority Shareholders of "orchestrating" the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request.

As to your charges that Abu Dhabi was a participant in the fraud and is withholding documents that may be prejudicial, we believe the actions taken by the governmental authorities and the Liquidators speak for themselves. Specifically, the solicitors for the Liquidators have now indicated in writing that the allegations you made about the Majority Shareholders "orchestrating" the litigation and withholding documents relevant to such litigation on the grounds that they would prejudice the Majority Shareholders' interests are "untrue and unfounded."

In closing, perhaps I need not add that our clients are most disappointed that you would use the press and legal proceedings to hurl unfounded accusations at them. They do not appreciate being used as part of an effort to distract the court's attention from the merits of the case against Mahfouz and NCB.

Sincerely,



W. Caffey Norman, III

C Taylor	J & M Kinnear	N S J O'Connor
C J B Hutchings	B C Mann	D Macfarlane
W G Madine	M J Ryan	S W Paine
M P Aspin	R J Anderson	M J Symonds
A Pugh-Thomas	P O H Collins	M F Stanger
D F Crag	C I Major	N F French
N M Harshar	D S D Moody	M O P Hill
G K Toland	C P Rowland	L L Pike
R N H Gould	D Sparto	I G Foster
M B Macneil	C N Dwyer	C V S Mandala
F E Phillips	D Torrington	C B Stewart
M D Shaddock	R H P Singh	E J Kelly
C J Munson	A O Litchfield	D Simms
T F M Olson	F L Wrentham	A S Gordon
O S Behr	L A MacDonagh	N D Campbell
A J White	C P Dodson	J F Powell
J B Gordon	C K Gilman	J Conroy
M P L Walsh	M S Hurlings	S M F MacDonagh
W E Ward	A S Lamplough	N B MacLellan
P C Harcourt	I D Smith	G J McQuinn
R A Souchon	A P F Williamson	R H Menden
A D Walker	A W Doyle	A J A Penson
T A B Carter	A Canby	J E Phelan

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P P Sherrington	C M Alphin	E T Searcy
J B Sayre	A M Donohoe GR	J M Bradshaw
D A Cox	F J Fisher	L A Conroy
A C R Davis	M Colman	J Dunlop
R Gahan	P F A Gorman	L R Dunlop
D A Harper	M S Gidding	R M Hickatkinson
D A Harris	D A Latham	J M Sammons
B C Kelly	R M McLean	C M D South
A C Murray-Jones	D J Moss	E S Ashman
J S Roper	M Row	J N Cole
M A Skelton	M M C Woodfield	I M Corrie
S C I Wells	D A Gregory	E M Green
R T Whitmore	C N C Urquhart	D P Harlock
M H Parnon	M S Matheson	N F Quenby
G D R Archer	J M Dorman	P L Taylor
S L Burn	J M Roper	D S Cheng
P A Oldman	L Winer	M Compagnon
C A Prouder	P D Conner	M J Cann
R A Shear	D I Mander	E P Miller
E J L Street	D Lane	G P K Hurdley
G Wilson	M C McCann	C I Strickland
J T Young	C D St J Pinner	
L M Almonorth	R S Brown	

Our ref C5/KG

Your ref 5/L22334/JW

11th May 1993

Simons & Simons
14 Dominion Street
London
EC2M 2RJ

Attention: J Walter Esq

Dear Sirs

BCCI/Mahfouz

Thank you for your letter dated 10th May 1993.

As our firm made clear at the meeting to which you refer, in relation to the litigation brought against Sheikh Khalid Bin Mahfouz in Washington DC, the allegations made on his behalf that:

- (a) the Abu Dhabi parties are orchestrating, or at least being closely consulted by the Liquidators, in the conduct of such litigation; and
- (b) the Abu Dhabi parties are withholding documents relevant to such litigation on the grounds that they would prejudice their interests

are, so far as the Liquidators are concerned, untrue and unfounded.

We do not think it appropriate to write directly to Bin Mahfouz's lawyers. They must be aware of the Liquidators' position on these matters by reason of documents served in the litigation prior to the press release issued on Bin Mahfouz's behalf. This position will be reiterated by the Liquidators in further court papers to be filed shortly.

Yours faithfully

Lovell White Durrant

1024/DH

**RESPONSES TO ALLEGATIONS CONCERNING
ABU DHABI IN BIN MAHFOUZ PLEADING**

Allegations made by lawyers defending Khalid bin Mahfouz from racketeering charges brought by the BCCI liquidators should be seen for what they are: irrelevant attacks on individuals not party to the litigation buried on page 32 of a 45 page brief. These excerpts, passed out by bin Mahfouz's press agents, seem designed purely for media consumption, to obscure the very serious wrongdoing with which bin Mahfouz has been charged in this and other countries. Even if they were true -- which they are not -- they would be entirely irrelevant to the legal issues which the court will need to determine in the action against bin Mahfouz.

The Majority Shareholders of BCCI (the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family) respond as follows to the allegations made by bin Mahfouz's lawyers:

Abu Dhabi is BCCI's "partner in crime"
(May 7, Associated Press)

Unlike bin Mahfouz, none of the Majority Shareholders, nor any of their representatives, have been indicted or charged with violations of law in the United States or elsewhere.

Abu Dhabi was a principal participant in the allegedly fraudulent buy-back of bin Mahfouz's shares
(May 6, The Washington Post; May 7, Associated Press)

The Liquidators do not allege that Abu Dhabi took any improper actions in connection with the transactions which are the subject of their action against Mahfouz. Further, neither federal nor state authorities have alleged wrongdoing by the Majority Shareholders in the charges they have brought against Mahfouz.

Abu Dhabi is obstructing the BCCI investigation
(May 7, Associated Press)

In fact, the Abu Dhabi investors were among the very first to undertake an investigation into the fraud at BCCI, which they did shortly after they acquired majority control in April 1990. The Majority Shareholders have extended cooperation to numerous law enforcement agencies and governments, including civil and criminal law enforcement authorities in the United States and United Kingdom. In addition, they have assisted BCCI's court appointed liquidators in the United Kingdom, Luxembourg, the Cayman Islands, and the United Arab Emirates.

The documents provided by the Majority Shareholders to the Federal Reserve Board in early 1991 (selected by Federal Reserve staff from among the so-called "Naqvi files") enabled the U.S. prosecution of BCCI for its illegal ownership of First American to go forward. Additional documents were brought to the United States and made available to U.S. authorities in September 1992. U.S. authorities have also been invited to visit Abu Dhabi to interview witnesses and review documents.

In relation to the Mahfouz transactions, it was the Investigating Committee, set up at the instigation of the Majority Shareholders, that first revealed the reality of the arrangements made between Mahfouz and BCCI. Those reports have been in the hands of U.K. and U.S. prosecuting authorities and bank regulators since the closure of the bank.

Abu Dhabi provided a \$1 billion bailout of BCCI in 1989
(May 7, Associated Press)

This is false. In April and May 1990, however, the Abu Dhabi investors did infuse much-needed capital into the bank when they acquired a majority shareholding in it. This was done with the knowledge and approval of the Bank of England and the Institute Monetaire Luxembourgeois. Indeed, the capital infusion was welcomed by bank regulators as being in the interest of depositors and other creditors.

Abu Dhabi receives one-half of proceeds from litigation brought by liquidators
(May 6, The Washington Post; May 7, Associated Press)

Bin Mahfouz's objection seems to be with the settlement arrangements between the BCCI liquidators and the Majority Shareholders, which have been approved by courts in the United Kingdom, Luxembourg and the Cayman Islands. Under these arrangements, the Majority Shareholders have agreed to contribute up to \$2.2 billion to BCCI's creditors, and to waive certain of their own claims against BCCI totalling another \$2.2 billion.

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12 May 1993

CONTACT: Cynthia Rapp or
Craig Veith
(202) 457-9270

THE MAJORITY SHAREHOLDERS OF THE BCCI GROUP

Background

- The Abu Dhabi shareholders were, at all times until 1990, passive minority shareholders in BCCI.
- The Abu Dhabi shareholders became Majority Shareholders in April 1990 when, in a move welcomed by the Bank of England, they purchased a majority stake in BCCI, enabling it to remain in operation after extensive trading losses had emerged.
- The frauds were perpetrated by BCCI's senior officers when the Abu Dhabi shareholders were passive, minority shareholders. The Abu Dhabi shareholders exercised no day-to-day executive control and were in no way responsible for the wrongdoing of the bank. Indeed, they themselves are the biggest victims of the fraud, having been systematically robbed of billions of dollars.
- Upon learning of the serious problems facing the bank, the Majority Shareholders instigated action to investigate the causes of those problems, and took steps to reorganize the management and restructure BCCI in cooperation with the Bank of England and other monetary authorities in order to return BCCI to a legitimate and profitable operation.
- Despite the efforts, the Bank of England unilaterally shut down BCCI in July 1991. Since then, the Majority Shareholders have been consumed with seeking a fair solution for depositors and creditors worldwide who, like them, suffered from BCCI's precipitate closing, and assisting the on-going investigations of the United Arab Emirates, the United Kingdom, and the United States in order to prosecute those responsible for the fraud. The Majority Shareholders will pursue vigorously through legal process all those who have deceived them and all those who, by failing in their duty, damaged the bank.

Investigation of Fraud

- The Majority Shareholders have been concerned to ensure that any allegations of criminal conduct are properly investigated by the Federal Prosecutor of the United Arab Emirates.
- Following complaints made by the Majority Shareholders, U.A.E. federal prosecuting authorities took steps to detain 18 former employees of BCCI suspected of committing offenses in relation to the bank. Following an initial report by individual accounting experts to the prosecuting authorities, one further suspect was detained, five suspects were released, and it is anticipated that

substantive charges against the 13 detainees now in custody are to be brought by the end of July.

- The Majority Shareholders are committed to assisting the prosecuting authorities in that investigation and have every reason to believe that the U.A.E. Federal Prosecutor will continue to carry out his investigations into this very wide-ranging and complicated fraud with due diligence and expedition.

Efforts to Restructure the Bank

- In the latter part of 1990, the Majority Shareholders, together with the BCCI Group and leading firms of the United Kingdom advisors appointed on their behalf, began to develop a restructuring plan for BCCI.
- During the next several months, the Majority Shareholders made significant progress on a BCCI restructuring plan. In close cooperation with the Bank of England, the Majority Shareholders had set up an inquiry into the nature and extent of the fraud, developed a refinancing package, and identified and recruited new senior management.
- All of the restructuring activities were undertaken in cooperation with the central banks' committee in charge of supervising BCCI, including the Bank of England, which was kept informed of the developments at every stage.

The Abrupt Closure of BCCI

- Nevertheless, in July 1991, the Bank of England and other regulatory authorities shut down BCCI. The Majority Shareholders were shocked at the Bank of England's precipitate action, particularly as they had made it clear to the Bank of England that they were prepared to complete the refinancing and restructuring of BCCI in a form acceptable to the Bank of England.
- If the Bank of England had not closed down BCCI, and the restructuring plan had been allowed to proceed, the damage sustained by BCCI's depositors and shareholders and the resulting loss of confidence in the Bank of England's role as central bank would have been avoided.

Relief Sought for Depositors and Other Creditors

- Immediately following the closure of BCCI in July 1991, the Majority Shareholders assessed whether it would be possible to rescue the bank in any form. Unfortunately, the impact of the sudden closure of the bank was such that no rescue plan was feasible.

- The Majority Shareholders, seeking ways to limit damage caused by the closure, began discussions with the provisional liquidators to devise a plan to enhance and speed up the overall return to depositors and other creditors.

Contribution Arrangements Proposed

- The Majority Shareholders and the liquidators of the bank initialled a plan which will significantly enhance payments to the bank's depositors and other creditors. These contribution arrangements have been approved by courts in England, the Cayman Islands, and Luxembourg. There are a number of formal steps which need to be completed prior to the implementation of the proposed arrangements, and an appeal lodged by three small creditors is pending before the Luxembourg Court.
- The contribution arrangements are based on proposals which combine the provision of a very substantial payment by the Majority Shareholders, the assumption by the Majority Shareholders of certain liabilities of BCCI branches in the United Arab Emirates, a pooling of BCCI assets, and a waiving of legal claims.
- It is believed that the benefits to depositors and creditors of the arrangements will be three to four times greater (and the payments distributed much sooner) than if there were no plan in place.
- Without the Majority Shareholders' support for these arrangements, estimates indicated that the return to creditors would have been less than 10 percent of their investment. Even this return would not have been possible for a number of years.

Assisting Regulators and Investigators Worldwide

- The Bingham Inquiry: The Majority Shareholders concur with Lord Justice Bingham's conclusion that the Bank of England's supervisory approach to BCCI was deficient. They have always maintained that the Bank's unilateral decision to close BCCI led to the grievous losses suffered by creditors and depositors. Moreover, they are at a loss to explain why the Bank of England was supportive of a refinancing and restructuring package promoted by the Majority Shareholders even as the Bank was planning to shut down BCCI.
- The Majority Shareholders also agree with Lord Justice Bingham's comments on the questionable role of BCCI's auditors, Price Waterhouse. Price Waterhouse failed to detect the fraud within BCCI, issuing unqualified audit reports year after year for 18 years.

- **U.S. Investigations:** The Majority Shareholders believe it is mutually beneficial to pursue joint cooperation efforts with the United States. As the biggest victim of the fraud, they would like access to information being developed by U.S. authorities that would assist them in supporting prosecution efforts being conducted in the United Arab Emirates and in their attempt to recover the billions of dollars misappropriated by BCCI's former management.
- Real and measured cooperation efforts have been undertaken with relevant U.S. authorities. These efforts, including providing access to key documents and witnesses to the Federal Reserve Board in early 1991, made possible the U.S. prosecution of BCCI for its illegal ownership of First American.
- An on-going cooperation program continues to move forward. In September 1992, further documents were brought to the United States and made available to U.S. authorities with the approval of the U.A.E. Court. In addition, the Majority Shareholders have extended a number of invitations to U.S. authorities to visit Abu Dhabi to review documents and to interview witnesses.
- **First American Bankshares:** The Majority Shareholders, quite apart from any BCCI involvement, have an equity interest in the parent company of First American Bankshares in the United States. They have always acted in a responsible manner, including the provision of support when needed. For example, the Private Department of His Highness Sheikh Zayed bin Sultan Al Nahyan has agreed to provide financial support to First American to ensure its stability and is now owed more than \$180 million. The Majority Shareholders worked closely with U.S. authorities to facilitate a sale of First American.

FOR IMMEDIATE RELEASE
22 September 1992

CONTACT: Cynthia H. Rapp
Craig G. Veith
(202) 457-9270

**MAJORITY SHAREHOLDERS OF BCCI GROUP CONTINUE
JOINT COOPERATION PROGRAM**

The Majority Shareholders of the BCCI Group announced today that, following UAE Court approval, further documents have been released for review by U.S. authorities conducting investigations into the BCCI Group.

"Today's action underscores the Majority Shareholders' joint cooperation program with the U.S. authorities. The Majority Shareholders believe that the exchange of information is desirable by all parties conducting investigations -- including the authorities in the UAE," said a representative of the Majority Shareholders.

"The review of a substantial number of documents by the Department of Justice, the New York District Attorney's office and the Federal Reserve Board is a tangible example of yet further cooperation by the Majority Shareholders," stated the representative.

In addition to the documents provided for review, the representative announced that relevant U.S. authorities have been invited to Abu Dhabi and a visit is expected to take place in the near future.

The present cooperation builds on visits by the U.S. authorities to Abu Dhabi and the provision of documents for review, in March 1991, which helped make possible the discovery of BCCI's illegal ownership of First American Bank.

In May 1992, during a voluntary appearance before Senator Kerry's Subcommittee on Terrorism, Narcotics and International Operations, a representative of the Majority Shareholders emphasized the commitment of the Majority Shareholders of the BCCI Group to a joint cooperation program with U.S. authorities, pointing out that the Abu Dhabi shareholders are "the single biggest victim of the fraud and probably its only intended victim. They have lost billions of dollars."

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COOPERATION EFFORTS WITH U.S. AUTHORITIES BY THE MAJORITY SHAREHOLDERS

As stated in testimony on May 14, 1992 before Senator Kerry's Subcommittee of the Foreign Relations Committee, the Majority Shareholders believe it is mutually beneficial to pursue joint cooperation efforts with the United States. As the biggest victim of the fraud, they would like access to information developed by U.S. authorities that would assist them in supporting prosecution efforts being conducted in the United Arab Emirates (UAE), and in their attempt to recover the billions of dollars that were misappropriated by BCCI's former management.

In order to facilitate a reciprocal cooperation program, the Majority Shareholders initiated discussions with the Department of Justice and the New York District Attorney (DANY). These discussions build on past cooperation efforts and, on September 21, 1992, led to a further provision of documents.

After acquiring control of BCCI a little over two years ago the Majority Shareholders, operating with limited professional resources, necessarily prioritized their activities. Those activities included: launching an investigation into the bank's fraud; attending to the crisis and subsequent war in the Gulf; attempts to restructure the bank; managing the fallout from the bank's abrupt closure in July 1991; and negotiating a contribution agreement to alleviate the hardship of the bank's depositors and creditors. The Majority Shareholders are now able to devote more attention to pursuing a mutually beneficial cooperation program with U.S. authorities which includes access to documents and witnesses.

Despite the attention the events above commanded, real and measured cooperation efforts have already been undertaken by the Majority Shareholders. For example, their voluntary action to make available information and key documents and witnesses to the Federal Reserve Board in early 1991 made possible the discovery of BCCI's illegal ownership of First American.

The following are specific examples of cooperative actions taken by the Majority Shareholders:

- In late 1990, after suspicions of potential violations of U.S. banking law were expressed, the Majority Shareholders determined that BCCI would terminate U.S. operations and would cooperate fully with U.S. authorities in resolving outstanding regulatory problems caused by Abedi, Naqvi and their associates.
- In early January 1991 -- the eve of the liberation of Kuwait -- BCCI's counsel flew to Abu Dhabi at the Federal Reserve's request to review the so-called "Naqvi files" and provided a description of those documents to Federal Reserve staff. The files revealed secret arrangements between BCCI and CCAH shareholders who were also identified as loan customers of BCCI. More detailed descriptions of the files were provided in later meetings.

- On March 16 to 22, 1991 the Majority Shareholders made it possible for a team of Federal Reserve investigative staff to visit Abu Dhabi to interview Mr. Naqvi. Although Mr. Naqvi's U.S. attorney would not allow the interview to go forward at that time, the Majority Shareholders enabled Federal Reserve officials to interview five other BCCI employees.
- During this time (March 16-22) the Majority Shareholders granted the Federal Reserve investigators access to the so-called "Naqvi files" pertaining to CCAH, the National Bank of Georgia and Independence Bank. The officials were allowed to copy some 10,000 documents of interest, and BCCI's U.K. lawyers held the files to allow the Federal Reserve ready access while determining how the documents might be provided to Western authorities without violating bank secrecy laws.

These documents, made available by the Majority Shareholders, served as the basis for enforcement actions by the Federal Reserve and the criminal charges brought against BCCI, Abedi and Naqvi by U.S. judicial authorities. These charges culminated in the plea agreement in which BCCI admitted owning over 25 percent of CCAH shares.

- Even though existing restrictions prevented the release of certain bank records, the Majority Shareholders insisted that BCCI obtain waivers of these disclosure regulations to facilitate as much disclosure as possible, despite significant risks and potential legal liability.
- As a result of the economic downturn in Washington, DC and the publicity surrounding BCCI's interest in CCAH, First American Bankshares suffered significant economic setbacks. At the request of the Federal Reserve and to ensure the stability of First American, the Department of Private Affairs (Private Department) agreed to provide financial support despite owning only 22 percent of CCAH shares. The Private Department agreed to provide financial support and is now owed more than \$180 million by First American:
 - February 1991: provided \$48 million of a \$51 million bridge loan for First American Corporation (FAC).
 - June 1991: provided another \$39 million to FAC and purchased \$82 million in outstanding First American Bank debt.
 - March 1992: purchased a \$9.3 million term loan from BAI at the request of the First American management, despite unfavorable terms contained in the loan; provided similar extensions and waivers with regard to the other debt owed to it by CCAH, FAC, and FAB, all in order to provide direct financial assistance to First American.

- In March 1991, thanks to the Majority Shareholders, BCCI negotiated with U.S. authorities a cease and desist order; it called for the closure of BCCI offices in Los Angeles and New York, the divestiture of BCCI's CCAH shares, a prohibition against unauthorized transactions with First American, and further cooperative efforts in the U.S. investigation.
- In early August 1991, the Federal Reserve requested the assistance of the Private Department in creating a trust that would hold the shares of FAC or FAB. Following a significant outflow of First American's deposits in August 1991, the Private Department called a special CCAH shareholders meeting to solicit proxies from shareholders to consider changes in First American's management. Changes were made that guaranteed First American Bank would have an independent management.
- Shortly thereafter, Nicholas Katzenbach agreed to act as First American's chairman provided he receive indemnification for himself and the other directors. Again, to ensure independent management selected by the Federal Reserve and FAB, outside directors and the Private Department agreed to Mr. Katzenbach's conditions.
- The Abu Dhabi shareholders voluntarily placed their CCAH shareholdings (28 percent) in a trust in an effort to facilitate an orderly sale of First American.
- The Majority Shareholders have entered into discussions with the Department of Justice and the New York District Attorney concerning reciprocal cooperation arrangements. These discussions are ongoing.
- Following his May 14, 1992 testimony before Senator Kerry's subcommittee where he reaffirmed the Majority Shareholders' willingness to cooperate with U.S. authorities, Mr. Al Sayegh was asked to provide answers to written questions. Answers have been provided. Though Mr. Al Sayegh requested a meeting to personally provide the Senator with the answers to his follow-up questions, he was informed that the Senator's schedule could not accommodate a meeting.
- On September 21, 1992, documents were made available to U.S. authorities through the U.A.E. Embassy. The documents were brought to the U.S. with the authority of the U.A.E. Court in an effort to facilitate access to them by U.S. authorities. In addition, the Majority Shareholders have extended an invitation to U.S. authorities to visit Abu Dhabi and they expect a visit to take place in the near future.

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September 22, 1992



DISTRICT ATTORNEY
OF THE
COUNTY OF NEW YORK
ONE HOGAN PLACE
NEW YORK, N.Y. 10018
(212) 385-6000

ROBERT M. MORGENTHAU
District Attorney

September 21, 1992

The Honorable John F. Kerry
United States Senator
Committee on Foreign Relations
Russell Senate Office Building
Washington, DC 20510-6225

Dear Senator Kerry:

I write at the request of Ronald S. Liebman, Esq. of Patton, Boggs & Blow, counsel for certain individuals and entities in Abu Dhabi, including members of the Ruling Family.

Mr. Liebman has advised me that photocopies of certain documents have been delivered to the Embassy of the United Arab Emirates in Washington, D.C. for inspection by members of the District Attorney's Office. Later today we will begin the process of reviewing these records and will continue doing so until they have been fully reviewed. Mr. Liebman has further advised me that an Abu Dhabi court order authorizing this review was obtained yesterday. This review will not be deemed an admission or authorized representation by the Abu Dhabi parties. We will be free to use whatever leads are obtained to further our investigation.

Sincerely,


Robert M. Morgenthau
District Attorney

RMD:cob



THE MAJORITY SHAREHOLDERS OF THE BCCI GROUP

Background

- The Abu Dhabi shareholders were, at all times until 1990, passive minority shareholders in BCCI.
- The Abu Dhabi shareholders became Majority Shareholders in April 1990 when, in a move welcomed by the Bank of England, they purchased a majority stake in BCCI, enabling it to remain in operation after extensive trading losses had emerged.
- The frauds were perpetrated by BCCI's senior officers when the Abu Dhabi shareholders were passive, minority shareholders. The Abu Dhabi shareholders exercised no day-to-day executive control and were in no way responsible for the wrongdoing of the bank. Indeed, they themselves are the biggest victims of the fraud, having been systematically robbed of billions of dollars.
- Upon learning of the serious problems facing the bank, the Majority Shareholders instigated action to investigate the causes of those problems, and took steps to reorganize the management and restructure BCCI in cooperation with the Bank of England and other monetary authorities in order to return BCCI to a legitimate and profitable operation.
- Despite the efforts, the Bank of England unilaterally shut down BCCI in July 1991. Since then, the Majority Shareholders have been consumed with seeking a fair solution for depositors and creditors worldwide who, like them, suffered from BCCI's precipitate closing, and assisting the on-going investigations of the United Arab Emirates, the United Kingdom, and the United States in order to prosecute those responsible for the fraud. The Majority Shareholders will pursue vigorously through legal process all those who have deceived them and all those who, by failing in their duty, damaged the bank.

Investigation of Fraud

- The Majority Shareholders have been concerned to ensure that any allegations of criminal conduct are properly investigated by the Federal Prosecutor of the United Arab Emirates.
- Following complaints made by the Majority Shareholders, U.A.E. federal prosecuting authorities took steps to detain 18 former employees of BCCI suspected of committing offenses in relation to the bank. Following an initial report by individual accounting experts to the prosecuting authorities, one further suspect was detained, five suspects were released, and it is anticipated that

substantive charges against the 13 detainees now in custody are to be brought by the end of July.

- The Majority Shareholders are committed to assisting the prosecuting authorities in that investigation and have every reason to believe that the U.A.E. Federal Prosecutor will continue to carry out his investigations into this very wide-ranging and complicated fraud with due diligence and expedition.

Efforts to Restructure the Bank

- In the latter part of 1990, the Majority Shareholders, together with the BCCI Group and leading firms of the United Kingdom advisors appointed on their behalf, began to develop a restructuring plan for BCCI.
- During the next several months, the Majority Shareholders made significant progress on a BCCI restructuring plan. In close cooperation with the Bank of England, the Majority Shareholders had set up an inquiry into the nature and extent of the fraud, developed a refinancing package, and identified and recruited new senior management.
- All of the restructuring activities were undertaken in cooperation with the central banks' committee in charge of supervising BCCI, including the Bank of England, which was kept informed of the developments at every stage.

The Abrupt Closure of BCCI

- Nevertheless, in July 1991, the Bank of England and other regulatory authorities shut down BCCI. The Majority Shareholders were shocked at the Bank of England's precipitate action, particularly as they had made it clear to the Bank of England that they were prepared to complete the refinancing and restructuring of BCCI in a form acceptable to the Bank of England.
- If the Bank of England had not closed down BCCI, and the restructuring plan had been allowed to proceed, the damage sustained by BCCI's depositors and shareholders and the resulting loss of confidence in the Bank of England's role as central bank would have been avoided.

Relief Sought for Depositors and Other Creditors

- Immediately following the closure of BCCI in July 1991, the Majority Shareholders assessed whether it would be possible to rescue the bank in any form. Unfortunately, the impact of the sudden closure of the bank was such that no rescue plan was feasible.

- The Majority Shareholders, seeking ways to limit damage caused by the closure, began discussions with the provisional liquidators to devise a plan to enhance and speed up the overall return to depositors and other creditors.

Contribution Arrangements Proposed

- The Majority Shareholders and the liquidators of the bank initialled a plan which will significantly enhance payments to the bank's depositors and other creditors. These contribution arrangements have been approved by courts in England, the Cayman Islands, and Luxembourg. There are a number of formal steps which need to be completed prior to the implementation of the proposed arrangements, and an appeal lodged by three small creditors is pending before the Luxembourg Court.
- The contribution arrangements are based on proposals which combine the provision of a very substantial payment by the Majority Shareholders, the assumption by the Majority Shareholders of certain liabilities of BCCI branches in the United Arab Emirates, a pooling of BCCI assets, and a waiving of legal claims.
- It is believed that the benefits to depositors and creditors of the arrangements will be three to four times greater (and the payments distributed much sooner) than if there were no plan in place.
- Without the Majority Shareholders' support for these arrangements, estimates indicated that the return to creditors would have been less than 10 percent of their investment. Even this return would not have been possible for a number of years.

Assisting Regulators and Investigators Worldwide

- The Bingham Inquiry: The Majority Shareholders concur with Lord Justice Bingham's conclusion that the Bank of England's supervisory approach to BCCI was deficient. They have always maintained that the Bank's unilateral decision to close BCCI led to the grievous losses suffered by creditors and depositors. Moreover, they are at a loss to explain why the Bank of England was supportive of a refinancing and restructuring package promoted by the Majority Shareholders even as the Bank was planning to shut down BCCI.
- The Majority Shareholders also agree with Lord Justice Bingham's comments on the questionable role of BCCI's auditors, Price Waterhouse. Price Waterhouse failed to detect the fraud within BCCI, issuing unqualified audit reports year after year for 18 years.

- **U.S. Investigations:** The Majority Shareholders believe it is mutually beneficial to pursue joint cooperation efforts with the United States. As the biggest victim of the fraud, they would like access to information being developed by U.S. authorities that would assist them in supporting prosecution efforts being conducted in the United Arab Emirates and in their attempt to recover the billions of dollars misappropriated by BCCI's former management.
- Real and measured cooperation efforts have been undertaken with relevant U.S. authorities. These efforts, including providing access to key documents and witnesses to the Federal Reserve Board in early 1991, made possible the U.S. prosecution of BCCI for its illegal ownership of First American.
- An on-going cooperation program continues to move forward. In September 1992, further documents were brought to the United States and made available to U.S. authorities with the approval of the U.A.E. Court. In addition, the Majority Shareholders have extended a number of invitations to U.S. authorities to visit Abu Dhabi to review documents and to interview witnesses.
- **First American Bankshares:** The Majority Shareholders, quite apart from any BCCI involvement, have an equity interest in the parent company of First American Bankshares in the United States. They have always acted in a responsible manner, including the provision of support when needed. For example, the Private Department of His Highness Sheikh Zayed bin Sultan Al Nahyan has agreed to provide financial support to First American to ensure its stability and is now owed more than \$180 million. The Majority Shareholders worked closely with U.S. authorities to facilitate a sale of First American.

RESPONSES TO ALLEGATIONS CONCERNING
ABU DHABI IN BIN MAHFOUZ PLEADING

Allegations made by lawyers defending Khalid bin Mahfouz from racketeering charges brought by the BCCI liquidators should be seen for what they are: irrelevant attacks on individuals not party to the litigation buried on page 32 of a 45 page brief. These excerpts, passed out by bin Mahfouz's press agents, seem designed purely for media consumption, to obscure the very serious wrongdoing with which bin Mahfouz has been charged in this and other countries. Even if they were true -- which they are not -- they would be entirely irrelevant to the legal issues which the court will need to determine in the action against bin Mahfouz.

The Majority Shareholders of BCCI (the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family) respond as follows to the allegations made by bin Mahfouz's lawyers:

Abu Dhabi is BCCI's "partner in crime"
(May 7, Associated Press)

Unlike bin Mahfouz, none of the Majority Shareholders, nor any of their representatives, have been indicted or charged with violations of law in the United States or elsewhere.

Abu Dhabi was a principal participant in the allegedly fraudulent buy-back of bin Mahfouz's shares
(May 6, The Washington Post; May 7, Associated Press)

The Liquidators do not allege that Abu Dhabi took any improper actions in connection with the transactions which are the subject of their action against Mahfouz. Further, neither federal nor state authorities have alleged wrongdoing by the Majority Shareholders in the charges they have brought against Mahfouz.

Abu Dhabi is obstructing the BCCI investigation
(May 7, Associated Press)

In fact, the Abu Dhabi investors were among the very first to undertake an investigation into the fraud at BCCI, which they did shortly after they acquired majority control in April 1990. The Majority Shareholders have extended cooperation to numerous law enforcement agencies and governments, including civil and criminal law enforcement authorities in the United States and United Kingdom. In addition, they have assisted BCCI's court appointed liquidators in the United Kingdom, Luxembourg, the Cayman Islands, and the United Arab Emirates.

The documents provided by the Majority Shareholders to the Federal Reserve Board in early 1991 (selected by Federal Reserve staff from among the so-called "Naqvi files") enabled the U.S. prosecution of BCCI for its illegal ownership of First American to go forward. Additional documents were brought to the United States and made available to U.S. authorities in September 1992. U.S. authorities have also been invited to visit Abu Dhabi to interview witnesses and review documents.

In relation to the Mahfouz transactions, it was the Investigating Committee, set up at the instigation of the Majority Shareholders, that first revealed the reality of the arrangements made between Mahfouz and BCCI. Those reports have been in the hands of U.K. and U.S. prosecuting authorities and bank regulators since the closure of the bank.

Abu Dhabi provided a \$1 billion bailout of BCCI in 1989
(May 7, Associated Press)

This is false. In April and May 1990, however, the Abu Dhabi investors did infuse much-needed capital into the bank when they acquired a majority shareholding in it. This was done with the knowledge and approval of the Bank of England and the Institute Monetaire Luxembourgeois. Indeed, the capital infusion was welcomed by bank regulators as being in the interest of depositors and other creditors.

Abu Dhabi receives one-half of proceeds from litigation brought by liquidators
(May 6, The Washington Post; May 7, Associated Press)

Bin Mahfouz's objection seems to be with the settlement arrangements between the BCCI liquidators and the Majority Shareholders, which have been approved by courts in the United Kingdom, Luxembourg and the Cayman Islands. Under these arrangements, the Majority Shareholders have agreed to contribute up to \$2.2 billion to BCCI's creditors, and to waive certain of their own claims against BCCI totalling another \$2.2 billion.

Abu Dhabi was aware of internal accounting frauds committed by BCCI (May 7, Associated Press)

The Abu Dhabi investors were at all times until 1990 passive minority shareholders in BCCI. In the months following taking a majority stake in BCCI, the Majority Shareholders became aware of serious internal irregularities. In October 1990, the Majority Shareholders established an Investigating Committee to carry out a full and independent review of these irregularities. This investigation included the Mahfouz transactions which were the subject of an Investigating Committee Report of April 28th 1991.

Abu Dhabi is withholding hundreds of boxes of documents
(May 7, Associated Press)

The allegation that the Abu Dhabi parties are withholding documents relevant to the Mahfouz litigation on the grounds that they would prejudice their interests is untrue and unfounded. The liquidators themselves have made this clear to bin Mahfouz's lawyers.

Numerous documents, including some culled from the so-called "Naqvi files," have been made available to U.S. authorities by the Majority Shareholders.

[Smouha said in a deposition that] Abu Dhabi has a warehouse full of files which it refuses to let out of the country
(May 6, The Washington Post; May 7 Associated Press)

Again, to the extent there are BCCI documents in Abu Dhabi, they are under the control of the court receiver, just as they are in the United States, the United Kingdom, Luxembourg and numerous other jurisdictions. Mr. Smouha testified that he has reviewed one-third of the boxes in the warehouse, boxes of files that have already been indexed and catalogued. The process of indexing and cataloguing continues as boxes of files become available for review on a daily basis.

[Smouha said in a deposition that] Abu Dhabi is withholding documents which are incriminating, or prejudicial
(May 6, The Washington Post; May 7, Associated Press)

The Abu Dhabi parties are not withholding documents relevant to the Mahfouz litigation on the grounds that these documents might prejudice the Majority Shareholders' interests, as has been alleged.

Mr. Smouha has been deliberately misquoted. His actual statement was that documents were being held because they might be prejudicial [in the context of potential civil litigation].

Until the contractual arrangements are unconditional, both parties are cautious about granting access to documents. The liquidators have exercised their contractual right to withhold a significant number of documents from the Majority Shareholders on the grounds they may be prejudicial.

Again, in documents relating to Mahfouz, the liquidators' access has not been impaired, nor has there been any editing of the documents given to them.

At the same time, Abu Dhabi is trying to strengthen the case against bin Mahfouz (May 6, The Washington Post);
Abu Dhabi is orchestrating the case against bin Mahfouz (May 6, The Washington Post)

The allegation that the Abu Dhabi parties are orchestrating, or even are closely consulted by the liquidators in the conduct of, the Mahfouz litigation is untrue and unfounded. The Majority Shareholders are, however, considering their rights against bin Mahfouz and NCB, and whether it is appropriate to litigate the claims they may have against them.

Abu Dhabi has refused to let liquidators interview Swaleh Naqvi (May 7, Associated Press)

The Majority Shareholders have no control over who may and may not interview Mr. Naqvi. Mr. Naqvi, preliminarily charged under U.A.E. law with serious criminal wrongdoing, is under the exclusive control of U.A.E. prosecuting authorities. When efforts were made to allow Federal Reserve investigators to interview Mr. Naqvi in March 1991, it was his U.S. lawyer who refused to allow the interview to go forward.

Abu Dhabi is an unnamed plaintiff in the suit in federal court against Mahfouz (May 5, bin Mahfouz pleading)

As noted above, the liquidators have sole discretion to bring suits on behalf of BCCI, not the Majority Shareholders. It was not the Majority Shareholders' decision to bring suit against bin Mahfouz, but rather that of the liquidators. Abu Dhabi will share in any recovery, but only because it has already arranged to contribute billions of dollars for the benefit of depositors worldwide.

12 May 1993

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(202) 457-9270

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 M D Shepherd
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 B T Whitworth
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 Q D R Archer
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 P A O'Shea
 C A Frouder
 R A Stone
 R J L Sargent
 G Webb
 J T Young
 L M Alford

S T Lacey
 J M Bradshaw
 L A Conroy
 J Denton
 L E Dunlop
 R M Hultquist
 J M Sammons
 C M D Smith
 K S Ashton
 J N Cole
 I M Corrie
 R M Grant
 D F Harbott
 M P Quattr
 P L Taylor
 O S Cheng
 M Compagno
 M J Carr
 R P Hill
 G P E Hunter
 C I Bird

Our ref C5/KG

Your ref S/L22334/JW

11th May 1993

Simons & Simons
 14 Dominion Street
 London
 EC2M 2RJ

Attention: J Walter Esq

Dear Sirs

BCCI/Mahfouz

Thank you for your letter dated 10th May 1993.

As our firm made clear at the meeting to which you refer, in relation to the litigation brought against Sheikh Khalid Bin Mahfouz in Washington DC, the allegations made on his behalf that:

- (a) the Abu Dhabi parties are orchestrating, or at least being closely consulted by the Liquidators, in the conduct of such litigation; and
- (b) the Abu Dhabi parties are withholding documents relevant to such litigation on the grounds that they would prejudice their interests

are, so far as the Liquidators are concerned, untrue and unfounded.

We do not think it appropriate to write directly to Bin Mahfouz's lawyers. They must be aware of the Liquidators' position on these matters by reason of documents served in the litigation prior to the press release issued on Bin Mahfouz's behalf. This position will be reiterated by the Liquidators in further court papers to be filed shortly.

Yours faithfully

Lovell White Durrant

1824/DH

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May 12, 1993

BY FAX AND BY MAIL

Gary P. Naftalis, Esq.
Kramer, Levin, Naftalis,
Nessen, Kamin & Frankel
919 Third Avenue
New York, New York 10022

Gerald A. Feffer, Esq.
Williams & Connolly
725 12th Street, N.W.
Washington, D.C. 20005

Re: BCCI Holdings (Luxembourg), S.A., et al.
v. Sheikh Khalid bin Mahfouz, et al.

Gentlemen:

On behalf of our clients, the Majority Shareholders of BCCI, we are writing to respond to certain unsubstantiated and patently false statements made by you and publicized on behalf of Sheikh Khalid bin Mahfouz ("Mahfouz") and National Commercial Bank ("NCB") in connection with the racketeering suit brought against them by the BCCI Liquidators.

As you are aware, our clients as depositors and shareholders suffered greater losses than anyone else as a result of the illegal activities of BCCI and its co-conspirators. Nevertheless, despite the very serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board, and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position.

In addition, we assume that you are aware that your clients recently sent representatives to Abu Dhabi and asked our clients to intercede on their behalf with the BCCI Liquidators. The Majority Shareholders advised that they had made the decision upon the closure of BCCI to cooperate with the Liquidators rather than to act in a manner that would delay and obstruct a timely distribution to BCCI's creditors, suggested that your clients should try to adopt a more constructive approach toward the Liquidators than the one currently being pursued, and offered their support if such an approach were adopted. Accusing the

PATTON, BOGGS & BLOW

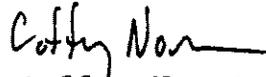
Gary P. Naftalis, Esq.
Gerald A. Feffer, Esq.
May 12, 1993
Page 2

Majority Shareholders of "orchestrating" the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request.

As to your charges that Abu Dhabi was a participant in the fraud and is withholding documents that may be prejudicial, we believe the actions taken by the governmental authorities and the Liquidators speak for themselves. Specifically, the solicitors for the Liquidators have now indicated in writing that the allegations you made about the Majority Shareholders "orchestrating" the litigation and withholding documents relevant to such litigation on the grounds that they would prejudice the Majority Shareholders' interests are "untrue and unfounded."

In closing, perhaps I need not add that our clients are most disappointed that you would use the press and legal proceedings to hurl unfounded accusations at them. They do not appreciate being used as part of an effort to distract the court's attention from the merits of the case against Mahfouz and NCB.

Sincerely,



W. Caffey Norman, III

FOR IMMEDIATE RELEASE
12 May 1993

CONTACT: Cynthia Rapp or
Craig Vieth
(202) 457-9270

BCCI Liquidators Refute Mahfouz Statements

Abu Dhabi Reconsiders Claims Against Saudi Financier

Washington, 12 May 1993 -- Lawyers for the Majority Shareholders of BCCI today responded to a recent court document filed by Khalid bin Mahfouz in connection with the racketeering suit brought against him and National Commercial Bank (NCB) by the BCCI liquidators, declaring statements contained in the document to be "unsubstantiated and patently false" and announcing their clients' intent to reconsider filing direct claims against Mahfouz and NCB.

Separately, lawyers representing the court-appointed liquidators of BCCI also refuted statements attributed to Brian Andrew Smouha contained in the brief, calling them "untrue and unfounded."

In a letter sent today to lawyers for Mahfouz and NCB, U.S. legal counsel to the Majority Shareholders of BCCI informed them that "...despite the various serious charges lodged against your clients by the New York District Attorney, the Federal Reserve Board and the Liquidators, the Majority Shareholders to date have refrained from filing any direct claims against Mahfouz or NCB anywhere in the world. Because of the seriousness with which the Majority Shareholders view the unjustified attack launched by you, our clients are now reconsidering that position."

Mahfouz and NCB were further advised that their efforts to solicit the Majority Shareholders' intervention on their behalf with the Liquidators had been seriously compromised. "Accusing the

(more)

Majority Shareholders of orchestrating the Liquidators' case against your clients at the same time that your clients are requesting the Majority Shareholders' assistance with the Liquidators is a desperate and irresponsible act which puts in serious jeopardy your clients' request."

The Mahfouz charge that Abu Dhabi was a participant in the fraud and is withholding documents which may be prejudicial was also refuted by the Majority Shareholders' lawyers and the lawyers representing the court-appointed Liquidators who stated that the allegations "are, so far as the Liquidators are concerned, untrue and unfounded."

#

EDITORS' NOTES:

- * The following documents are being provided with this press release for your reference: (1) the letter from the Majority Shareholders' legal counsel to the lawyers representing Mahfouz and NCB; (2) the letter from the Liquidators' lawyers to legal counsel for the Majority Shareholders refuting the statements put forth by Mahfouz; and (3) a point-by-point rebuttal of the allegations made against the Majority Shareholders in the Mahfouz court filing.
- * The Majority Shareholders of BCCI are the Abu Dhabi Department of Finance, the Abu Dhabi Investment Authority and the Abu Dhabi Ruling Family.

Pursuant to 22 U.S.C. §§ 611-621, Robinson, Lake, Lerer & Montgomery is registered as an agent of the Government of Abu Dhabi with the United States Department of Justice, where a copy of the registration statement is on file and available for public inspection. Registration does not indicate approval by the United States Government of the contents of this communication, which is to be filed with the Department of Justice.

**BANK OF CREDIT AND COMMERCE INTERNATIONAL SA
(IN COMPULSORY LIQUIDATION)**

**PUBLICITY BROCHURE
IN RESPECT OF
NOMINATIONS
FOR THE
LIQUIDATION COMMITTEE**

This Publicity Brochure has been prepared to allow the Nominees to inform Creditors of the reasons why they are standing for the Liquidation Committee. It has been prepared principally by the Nominees.

The Joint Liquidators of the Bank of Credit and Commerce International SA (In Compulsory Liquidation) accept no responsibility for any incorrect or misleading information the Publicity Brochure may contain.

INTRODUCTION

The Creditors' Meeting has been convened under Section 141 of the Insolvency Act 1986 in order to determine whether a Liquidation Committee should be established and, if so, of establishing such a Committee.

The Liquidation Committee must comprise at least three but not more than five Creditors of BCCI SA who have lodged a Proof of Debt (and whose proof has not been wholly disallowed or rejected). A company or other legal body may be a member of the Liquidation Committee, but it must act via a duly appointed representative. For this reason, you will find that, where a company is nominated, the information provided by the Nominee will contain details of both the company and its representative.

The Deposit Protection Board has a statutory right to appoint a representative as an additional Member of the Liquidation Committee.

The Nominees elected to the Liquidation Committee will be the five Nominees who attract the greatest number of votes by value on a single ballot.

Voting Cards will be available on the day of the Meeting for those Creditors attending in person and who have been issued with an Entry Card. A Voting Card is included as part of this pack for those Creditors who have requested a proxy Form.

Voting will be calculated by the value of claims rather than by the number of Creditors voting. Nominees are Creditors of BCCI SA and, as such, will be able to vote for the full value of their claims as admitted for voting purposes by the Liquidators.

Each Creditor is entitled to split his vote between a maximum of five Nominees. The Voting Card will be deemed spoilt if the Creditor attempts to vote for more than five Nominees.

If the Creditor wishes to vote equally for a number of Nominees (up to a maximum of five), he can split the total votes to be cast equally amongst the chosen Nominees by ticking the relevant boxes beside the chosen Nominees' names.

A Creditor can also split the votes to be cast into different percentages for chosen Nominees. To do so, a number between 1 and 100 must be placed in the box beside each of the chosen Nominees names on the Voting Card. This will indicate the percentage of the Creditor's vote that is to be allocated to each chosen Nominee. The total of the percentages must be 100 or less or the Voting Card will be deemed spoilt. If the total of the percentages does not equal 100, it will be assumed that the balance not indicated has not been voted.

The Joint Liquidators' Help Desk (071 283 8566) will be pleased to answer any questions that Creditors may have in respect of the appointment of the Liquidation Committee.

There follow profiles of each Nominee as provided by that particular Nominee together with the amount for which that particular Nominee has been admitted to vote by the Joint Liquidators. It must be stressed that the Joint Liquidators have not attempted to verify the information provided by the Nominees (other than the amount of their claims) and accept no responsibility for any incorrect or misleading information.

CANDIDATE'S NAME:

1. SAMIR ABDALLAH

Candidate's principal Country of Residence:

Egypt

Branch(es) of BCCI S.A. where the Creditor held an account:

Park Lane, London

Admitted value of claim for Voting purposes:

US\$ 104,666

Other significant Relationships with other related BCCI entities:

None

Any relevant personal information about the Representative:

Egyptian Diplomat for 35 years - 62 years old. Graduated 1953, Cairo University (Economic Science). Served abroad in USA, USSR, Poland, Canada, Senegal, Thailand, Niger and Uganda as Ambassador.

Reasons for standing for the Liquidation Committee (no more than 80 words):

1. To defend the rights of all Creditors of the Bank.
2. To be sure that Liquidators are doing their efforts to pursue the people who robbed the Bank's assets.
3. To achieve the most benefits to the Creditors.
4. To try hard to defend the small Creditors who have suffered more than others.
5. To exercise all powers mentioned in Section 167 Insolvency Act 1986 (1 + 2 + 3 + 4) in full.

CANDIDATE'S NAME:

2. ABU DHABI INVESTMENT AUTHORITY ("ADIA")

Candidate's principal Country of Residence:

United Arab Emirates

Name of Representative:

Mr Mekki Mahmoud Ahmed

Branch(es) of BCCI S.A. where the Creditor held an account:

Abu Dhabi, United Arab Emirates

Admitted value of claim for Voting purposes:

US\$ 72,088,135

Other significant Relationships with other related BCCI entities:

Creditor of BCCI (Overseas) Limited
Shareholder of BCCI Holdings (Luxembourg) SA

Any relevant personal information about the Representative:

Mekki Mahmoud is a senior financial officer of ADIA who has over 15 years' service with the company. He is a qualified UK accountant and has been responsible within ADIA for protecting ADIA's interests as a creditor since BCCI's closure in July 1991. The Liquidation Committee will benefit both from the knowledge he has gained as a result and from his own considerable experience of financial matters.

Reasons for standing for the Liquidation Committee (no more than 80 words):

ADIA is a substantial financial institution based in the Middle East, with international standing in investment and banking circles. As a major Creditor, ADIA has the greatest possible interest in maximising returns for all Creditors. As a large company, ADIA can allow its Representative to devote the considerable time which membership of the Committee will require. ADIA's credentials and those of its Representative will enable it, if elected, to play an active, informed and positive role in the Committee.

CANDIDATE'S NAME:

3. AFEXP COMMODITIES (UK) LTD

Candidate's principal Country of Residence:

England

Name of Representative:

Harsh Kumar

Branch(es) of BCCI S.A. where the Creditor held an account:

Corporate Branch, Cannon Street, London
Commercial Road, London

Admitted value of claim for Voting purposes:

US\$ 8,411

Other Significant Relationships with other related BCCI entities:

None.

Any relevant personal information about the Representative:

I am a businessman with a BSc Economics degree and a Masters Degree from Leicester University. I have been in the City for 25 years where I have transformed a small trading business into a multi-million pound Corporation.

Reasons for standing for the Liquidation Committee (no more than 80 words):

I believe the Liquidation of BCCI SA is a profound tragedy which has affected many people of my social and ethnic background. I feel I should give of my best to try and make whatever can be done of a bad situation.

Fortunately I already have Creditors' Committee experience as I am currently a member of another multi-million pound Liquidation of M/S Woodhouse Drake and Carey Commodities Ltd, another old name in City Finance that has gone into Liquidation.