

Privacy Act Statement. Every registration statement, short form registration statement, supplemental statement, exhibit, amendment, copy of informational materials or other document or information filed with the Attorney General under this Act is a public record open to public examination, inspection and copying during the posted business hours of the Registration Unit in Washington, DC. One copy of every such document, other than informational materials, is automatically provided to the Secretary of State pursuant to Section 6(b) of the Act, and copies of any and all documents are routinely made available to other agencies, departments and Congress pursuant to Section 6(c) of the Act. The Attorney General also transmits a semi-annual report to Congress on the Administration of the Act which lists the names of all agents registered under the Act and the foreign principals they represent. This report is available to the public.

Public Reporting Burden. Public reporting burden for this collection of information is estimated to average .49 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Criminal Division, U.S. Department of Justice, Washington, DC 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

Furnish this exhibit for EACH foreign principal listed in an initial statement
and for EACH additional foreign principal acquired subsequently.

1. Name and address of registrant J.C. Watts Companies 600 13th Street, N.W., Suite 790 Washington, DC 20005	2. Registration No. 5641
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3. Name of foreign principal Institute for Liberty and Democracy	4. Principal address of foreign principal Av. Las Begonias 441 Of. 901 San Isidro, Lima, Peru
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5. Indicate whether your foreign principal is one of the following:

Foreign government

Foreign political party

Foreign or domestic organization: If either, check one of the following:

<input type="checkbox"/> Partnership	<input type="checkbox"/> Committee
<input type="checkbox"/> Corporation	<input type="checkbox"/> Voluntary group
<input type="checkbox"/> Association	<input checked="" type="checkbox"/> Other (specify): <u>public policy organization</u>

Individual-State nationality

6. If the foreign principal is a foreign government, state:

a) Branch or agency represented by the registrant.
NA

b) Name and title of official with whom registrant deals.
NA

7. If the foreign principal is a foreign political party, state:

a) Principal address.
NA

b) Name and title of official with whom registrant deals.
NA

c) Principal aim.
NA

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8. If the foreign principal is not a foreign government or a foreign political party,

a) State the nature of the business or activity of this foreign principal

- Continued research and strategy to produce legal reform.
- ILD addresses most pressing economic and social problems.
 - ILD provides heads of state with straight forward and non-ideological explanations for why markets fail.
 - ILD provides manageable program building for inclusive property systems.

b) Is this foreign principal

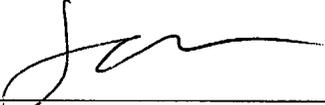
- | | | |
|---|------------------------------|--|
| Supervised by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Owned by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Directed by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Controlled by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Financed by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Subsidized in part by a foreign government, foreign political party, or other foreign principal | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

9. Explain fully all items answered "Yes" in Item 8(b). (If additional space is needed, a full insert page must be used.)

N/A

10. If the foreign principal is an organization and is not owned or controlled by a foreign government, foreign political party or other foreign principal, state who owns and controls it.

Hernando de Soto
Founder of ILD

Date of Exhibit A	Name and Title	Signature
9/28/05	Jon Vanderveer, CEO	

REGISTRATION UNIT
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Exhibit B
To Registration Statement
Pursuant to the Foreign Agents Registration Act of 1938, as amended

INSTRUCTIONS: A registrant must furnish as an Exhibit B copies of each written agreement and the terms and conditions of each oral agreement with his foreign principal, including all modifications of such agreements, or, where no contract exists, a full statement of all the circumstances by reason of which the registrant is acting as an agent of a foreign principal. One original and two legible photocopies of this form shall be filed for each foreign principal named in the registration statement and must be signed by or on behalf of the registrant.

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Public Reporting Burden. Public reporting burden for this collection of information is estimated to average .33 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Criminal Division, U.S. Department of Justice, Washington, DC 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

1. Name of Registrant J.C. Watts Companies	2. Registration No. 5641
3. Name of Foreign Principal Institute for Liberty and Democracy (ILD)	

CRIMINAL DIVISION
REGISTRATION UNIT
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Check Appropriate Boxes:

- 4. The agreement between the registrant and the above-named foreign principal is a formal written contract. If this box is checked, attach a copy of the contract to this exhibit.
- 5. There is no formal written contract between the registrant and the foreign principal. The agreement with the above-named foreign principal has resulted from an exchange of correspondence. If this box is checked, attach a copy of all pertinent correspondence, including a copy of any initial proposal which has been adopted by reference in such correspondence.
- 6. The agreement or understanding between the registrant and the foreign principal is the result of neither a formal written contract nor an exchange of correspondence between the parties. If this box is checked, give a complete description below of the terms and conditions of the oral agreement or understanding, its duration, the fees and expenses, if any, to be received.

7. Describe fully the nature and method of performance of the above indicated agreement or understanding.

Month to month contract.

8. Describe fully the activities the registrant engages in or proposes to engage in on behalf of the above foreign principal.

1. Strategy Design - develop legislative strategy to achieve ILD's legislative 109th Congressional goals.
2. Legislative tracking and monitoring - check foreign operations developments within Congress.
3. Project Management - Support ILD with implementation of FY06 strategic plan, updating and revising as necessary.

9. Will the activities on behalf of the above foreign principal include political activities as defined in Section 1(o) of the Act and in the footnote below? Yes No

If yes, describe all such political activities indicating, among other things, the relations, interests or policies to be influenced together with the means to be employed to achieve this purpose.

1. Contacting and meeting with members of Congress to ensure ILD receives appropriations requests.

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COMMISSION REGISTRATION UNIT

Date of Exhibit B	Name and Title	Signature
9/28/05	Jon Vandenhoevel, CEO	

Footnote: Political activity as defined in Section 1(o) of the Act means any activity which the person engaging in believes will, or that the person intends to, in any 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.

AGREEMENT

MADE by and between:

THE J.C. WATTS COMPANIES, LLC
600 13th Street, NW, Ste 790
Washington, DC 20005

and

THE INSTITUTO LIBERTAD Y DEMOCRACIA
Av. Las Begonias 441, Of. 901, San Isidro,
Lima, Perú

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WHEREAS, The J.C. Watts Companies, LLC ("Consultant") provides management consulting and advisory services to a variety of industries; and

WHEREAS, The Instituto Libertad y Democracia ("Company") seeks to retain Consultant to render to Company such consulting and advisory services; and

WHEREAS, Consultant is ready, willing and able to render such consulting and advisory services to Company as hereinafter described on the terms and conditions more fully set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this agreement ("Agreement"), the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. CONSULTING SERVICES. Consultant agrees to use its best efforts:
 - a) To advise company on its strategy to achieve Company's goals with respect to the United States government.
 - b) To track relevant developments within Congress and the administration, and determine the implications they may have, if any, for Company's strategic plans, and communicate these implications to Company on a regular basis.
 - c) To support Company in the implementation of its strategic plan.

2. SCOPE AND STANDARDS OF SERVICES.

- a) It is acknowledged and agreed by Company that Consultant is not rendering legal advice or performing accounting services, nor acting as an investment advisor or broker-dealer within the meaning of applicable state and federal securities laws. Company acknowledges that, Consultant, as a matter of policy, does not, and will not, endorse any companies or investments.
- b) In the event Company seeks any services Consultant is prohibited from providing by law, Company acknowledges that such services shall be provided by an independent contractor who shall provide such services exclusively for the benefit of Company and solely on Company's behalf. Company acknowledges that, until January 8, 2004, Consultant is specifically prohibited pursuant to 18 U.S.C. § 207(e) from knowingly making, with the intent to influence, any communication to or appearance before any Member of Congress, officer, staff or any employee of any other legislative office of the Congress on behalf of any other person (except the United States) in connection with any matter on which action by a Member, officer, or employee of either House of Congress, in his or her official capacity, is sought. Nothing set forth herein, however, shall be read to preclude Consultant from providing lobbying services on Company's behalf before any officer or employee of the executive branch of the United States, or of the District of Columbia, or of any state or municipality.
- c) Consultant agrees to perform its consulting duties hereto solely as an independent contractor. Nothing contained herein shall be considered as creating an employer-employee relationship between the parties to this Agreement.
- d) Consultant retains the right to control or direct the manner in which the services described in Section 1 are to be performed. However, Company will provide Consultant with reasonable access to Company marketing information, records, and personnel that are required to support Consultant in properly performing under the Agreement.
- e) Company acknowledges and agrees that Consultant cannot guarantee the results or effectiveness of any of the services rendered or to be rendered by Consultant hereunder. Rather, Consultant shall use its best efforts to conduct its services and affairs in a professional manner and in accordance with good industry practice.
- f) Company will comply with all applicable state and federal securities laws on capital-raising activities.

3. TERM OF AGREEMENT. Consultant's engagement hereunder shall have an initial term of one (1) month, commencing on January 1, 2005, subject to termination as hereinafter provided in Section 5. Unless otherwise terminated as provided herein, the term of this Agreement shall automatically renew on a month-to-month basis at the end of the initial term and each subsequent renewal term unless either party gives written notice of non-renewal to the other at least ninety (90) days prior to the last day of the initial term or the then-current renewal term. Expiration of or failure to renew this Agreement shall be without prejudice to any rights to compensation or other payment to Consultant pursuant to Section 4.

4. COMPENSATION

- a) In consideration of the services provided for Company by Consultant as fully set forth in Section 1, Consultant will be paid a retainer of \$1500.00 per month, the first month's retainer is payable upon execution of this agreement and all subsequent months retainers will be due on the first (1st) day of that month..
- b) Company shall reimburse Consultant for all reasonable expenses and disbursements incurred by Consultant in connection with its performance under this Agreement, subject to pre-approval by Company.
- c) Consultant shall be responsible for all taxes, levies and charges that may accrue to Consultant by virtue of the compensation, reimbursements, or other payments to be paid or made to it hereunder. Company shall make all payments hereunder without deduction or withholding of any taxes, levies, duties, charges, or expenses whatsoever. Company's obligations under this Section 4 shall be performed without any right to invoke set-off, deduction or similar rights.

5. TERMINATION.

- a) Either party may terminate this Agreement by and upon delivery of written notice to the other at any time if such other party: (i) makes an assignment for the benefit of creditors; (ii) becomes adjudicated bankrupt; (iii) files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other kind of relief under Title 11 of the United States code or a successor or state insolvency law ("Bankruptcy Law"); (iv) has filed against it an involuntary petition in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Law, which petition is not discharged within 30 days; or (v) applies for or permits the appointment of a receiver or a trustee for its assets. Termination under this Subsection 5(a) shall be without prejudice to any rights to compensation or other payment of Consultant pursuant to Section 4 above.

- b) Either party may terminate this Agreement if the other party is in material breach of any of the representations or warranties set forth herein, or fails to perform or is otherwise in breach of any of its other material obligations under this Agreement and, after receiving written notice of such breach from the other party exercising its right to terminate this Agreement, does not remedy such breach within thirty (30) days after receipt of such written notice, in which case this Agreement shall terminate upon the expiration of such period. In addition, Consultant may terminate this Agreement by and upon delivery of written notice to Company at any time if Company shall violate any law, ordinance, permit or regulation of any governmental entity, except for violations which either singularly or in the aggregate do not have or will not have a material adverse effect on the operations of Company. Termination by Consultant under this Subsection 5(b) shall be without prejudice to any rights to compensation or other payment of Consultant pursuant to Section 4 above.
- c) Notwithstanding other terms, in the event that Congressman J.C. Watts enters the employment of the United States Government, or officially announces that he is seeking public office, this Agreement shall terminate on that date. If either of these events were to occur, Consultant would effect an orderly transition with regard to its obligations under this Agreement.
- d) Either party may terminate this Agreement by and upon delivery of ninety (90) days' written notice to the other party, provided that this Agreement shall remain in full force and effect during such ninety day notice period. All consideration received by the parties prior to the termination shall be retained by the parties without right of recourse.

6. NONDISCLOSURE.

- a) Consultant and Company acknowledge that in the course of this relationship, they each may be exposed to or acquire information that is proprietary to or confidential to the other party. The parties agree to hold such information in strictest confidence and not to copy, reproduce, sell, assign, license, market, transfer, give or otherwise disclose such information to third parties or to use such information for any purposes whatsoever, without the express written permission of the other party, other than for the performance of obligations hereunder or as otherwise agreed to herein, and to advise each of their employees, agents and representatives of their obligations to keep such information confidential.
- b) The parties shall use reasonable efforts to assist each other in identifying and preventing any unauthorized use or disclosure of any confidential information. Without limitation of the foregoing, the parties shall use reasonable efforts to advise each other immediately in the event that either learns of or has reason to believe that any person who has had access to confidential information has violated or

intends to violate the terms of this Agreement, and will reasonably cooperate in seeking injunctive relief against any such persons.

- c) Notwithstanding the obligations set forth in the preceding sections, the confidentiality obligations of the parties shall not extend to information that: (i) is, as of the time of its disclosure or thereafter becomes, part of the public domain through a source other than the receiving party; (ii) was rightfully known to the receiving party as of the time of its disclosure; (iii) is independently developed by the receiving party or is subsequently learned from a third party not under a confidentiality obligation to the providing party; or (iv) is required to be disclosed pursuant to a duly authorized subpoena, court order, or government authority, whereupon the disclosing party shall provide prompt written notice to the other party prior to such disclosure, so that such party may seek a protective order or other appropriate remedy. In the event that a protective order or other appropriate remedy is not obtained, the disclosing party agrees to disclose only that portion of the confidential information that is required.
- d) Except as required by law, neither Consultant nor Company will disclose to a third party any of the details connected with this Agreement. Notwithstanding the foregoing, Consultant shall have the right to disclose its client list when contacting or communicating with any public official, agency or employee. Company acknowledges and agrees that Consultant's business practice is always to disclose its client list prior to communicating with any public official, agency or employee. Moreover, notwithstanding the foregoing sections (a) through (c), unless notified otherwise by Company, Consultant may include Company in any client list that it provides to individual prospective clients for marketing purposes. Similarly, Company may acknowledge a consulting relationship with Consultant in discussions with investors and partners when appropriate. This sentence shall not be deemed to authorize Company to include Consultant or Congressman J.C. Watts' name, likeness or voice in any advertisements, publications or commercial websites without prior specific written authorization.
- e) All obligations relating to confidential and proprietary information shall survive the termination of this Agreement.

7. COMMUNICATIONS CONSIDERATIONS. Consultant and Company will ensure that any news releases or written public statements directly referencing the other will be mutually reviewed and approved before release. Company will notify Consultant about news media inquiries made concerning Congressman Watts or Consultant's business relationships.

8. CONFLICT OF INTEREST. Consultant shall be free to perform services for other persons, corporations, and institutions. Consultant will notify Company within ten (10) days of its intent to perform consulting services for any other person or entity which

prevents Consultant from fulfilling its obligations under this Agreement. Upon receiving such notice, Company may terminate this Agreement or consent to Consultant's outside consulting activities.

9. INDEMNIFICATION BY COMPANY. Company shall protect, defend, indemnify, and hold Consultant and its successors and assigns and its attorneys, accountants, employees, members, managers, officers, agents and directors harmless from and against all losses, liabilities, damages, judgments, claims, counterclaims, demands, actions, proceedings, costs and expenses (including reasonable attorneys' fees and disbursements), interest, penalties, fines, judgments of every kind and character which may be alleged, asserted or claimed, relating to or arising out of (i) the inaccuracy, non-fulfillment or breach of any representation, warranty, covenant or agreement made by Company herein; (ii) Company's performance of this Agreement or (iii) the fact that Consultant is providing the services as set forth in this Agreement, regardless of whether Consultant is currently performing such services, if Consultant acted in good faith under this Agreement and had no reasonable cause to believe its conduct was unlawful. Notwithstanding the foregoing, Company shall not be obligated to indemnify Consultant for acts or omissions of Consultant which involve Consultant's fraudulent, dishonest or willful misconduct.

10. INDEMNIFICATION BY CONSULTANT. Consultant shall protect, defend, indemnify, and hold Company and its successors and assigns and its attorneys, accountants, employees, members, managers, officers, agents and directors harmless from and against all losses, liabilities, damages, judgments, claims, counterclaims, demands, actions, proceedings, costs and expenses (including reasonable attorneys' fees and disbursements), interest, penalties, fines, judgments of every kind and character which may be alleged, asserted or claimed, relating to or arising out of (i) the inaccuracy, non-fulfillment or breach of any representation, warranty, covenant or agreement made by Consultant herein; (ii) Consultant's performance of this Agreement or (iii) the fact that Company is performing as set forth in this Agreement, regardless of whether Company is currently performing under this Agreement, if Company acted in good faith under this Agreement and had no reasonable cause to believe its conduct was unlawful. Notwithstanding the foregoing, Consultant shall not be obligated to indemnify Company for acts or omissions of Company which involve Company's fraudulent, dishonest or willful misconduct.

11. NOTICES. All notices under this Agreement shall be in writing and shall be effective upon personal delivery to a party, or three business days after deposit in the United States mail, registered or certified, postage prepaid and addressed to the respective parties as follows (or such other address as the parties may from time to time designate in writing):

The Watts Companies, LLC
Attention: Elroy Sailor

Instituto Libertad y Democracia
Attention: Manuel Mayorga

600 13th Street, NW, Ste 790
Washington, DC 20005
Phone: (202) 207-2854
Fax: (202) 207-2853

Av. Las Begonias 441, Of. 901
San Isidro, Lima, Perú
Phone: (51-1) 222-6800
Fax: (51-1) 221-6949

12. APPLICABLE LAW. It is the intention of the parties hereto that this Agreement and the performance hereunder and all suits and special proceedings hereunder be construed in accordance with and under and pursuant to the laws of the State of Oklahoma and that in any action, special proceeding or other proceeding that may be brought arising out of, in connection with or by reason of this Agreement, the laws of the State of Oklahoma shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction on which any action or special proceeding may be instituted.

13. SEVERABILITY. All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any competent court, the Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

14. ENTIRE AGREEMENT. This Agreement constitutes and embodies the entire understanding and agreement of the parties and supersedes and replaces all prior understanding, agreements and negotiations between the parties. No representations by any person shall have any force or effect, regardless of when made, except as specifically included in this written agreement or a subsequent written agreement executed by all parties.

15. WAIVER. The failure to insist on strict compliance with any of the terms, provisions or conditions of this Agreement or the failure to exercise any right or privilege shall not operate or be construed as a waiver thereof, or of any subsequent breach thereof or a waiver of any other terms, provisions, conditions, privileges or rights.

16. CHANGES AND MODIFICATIONS. No change or modification of this Agreement shall be effective for any purpose except when made by written agreement signed by both parties.

17. MEDIATION/ARBITRATION.

- a) In the event of any dispute (as defined herein below) arising out of or relating to this Agreement, or the breach thereof, the parties agree that, before having recourse to arbitration, they will participate in at least four hours of mediation in accordance with the commercial mediation rules of the American Arbitration Association. If the mediation procedure provided for herein does not resolve any such dispute, the parties agree that all disputes between the parties should then be submitted to arbitration administered by the American Arbitration Association in accordance with

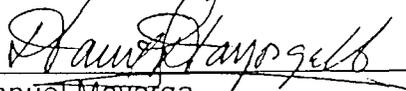
its commercial arbitration rules and pursuant to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq.

b) The term "dispute" shall mean any action, dispute, claim or controversy of any kind, whether in contract or in tort, under either statutory or common law or both, now existing or hereafter arising between the parties in any way pertaining to (i) this Agreement or any related agreement, document or instrument; and (ii) any incidents, omissions, acts, practices or occurrences arising out of any service or product furnished or agreed to be furnished under this Agreement causing property damage to either party and is asserted that the other party or its agents, employees or representatives, may be liable, in whole or in part; provided, however, that the parties may seek injunctions and similar forms of equitable relief with courts of competent jurisdiction.

18. COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

Instituto Libertad y Democracia


Manuel Mayorga

The J.C. Watts Companies, LLC


Elroy Sailor

Date: January 01, 2005

Av. Las Begonias 441, Of. 901
San Isidro, Lima, Peru

Date: January 01, 2005

600 13th Street, NW, Ste 790
Washington, DC 20005
Phone: (202) 207-2854
Fax: (202) 207-2853

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1.